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EDITORIAL

As We See It

It is hardly surprising that voices are already heard in condemnation of the Federal Reserve authorities for the mild restraint that they have been imposing upon the money market. Rarely have those who become cautious in the lending of money, or who take steps that make others cautious in the lending of money, failed to draw the fire of at least some elements in the population who seem to suppose that borrowing money freely is a sort of natural right of which they must never be deprived. In addition, in recent years the old, old notion that easy money can cure almost any ill has grown to great strength. A good deal of courage was required of the Federal Reserve authorities to take such steps as they have taken—moderate though they be—at this time. No doubt they were well aware of the charges that would quickly be brought against them and of the risk of much more energetic attacks if and when such restrictions as they impose begin to pinch.

Taking their cue from criticisms of this sort, some observers are already raising questions as to whether construction, particularly residential construction, is likely to move forward into another upward swing of major proportions. It is said, and truthfully said, that action such as that taken by the Reserve authorities is likely to tighten the money market and make mortgage money less abundant and more costly. Residential building is regarded, and rightly so, as being quite sensitive under present conditions to changes in the mortgage market. Facts of this sort doubtless led the Federal Government last spring to make FHA and VA money more available than it had

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A Healthy Government Securities Market

By HON. ROBERT B. ANDERSON*
Secretary of the Treasury, Washington, D. C.

Nonbank financial institutions, holders of nation's savings, are asked to reverse their present portfolio policies regarding government securities to help protect the purchasing power of the savings entrusted to them. In a speech to the nation's bankers, Mr. Anderson underscores need to protect integrity of money and to avoid too hasty tax cuts; and calls for an all-out effort to keep sizable Federal debt out of debt-monetization route and in nonbank area to help end basis for fears of future inflation. States there is more involved here than short term considerations of equity and profit for holders of securities and urges hard, courageous civic responsibility for the long term gain.

Robert B. Anderson

The economic development of our nation is a medley of forces predominantly generated by competitive enterprise and strongly affected by the activities of government. These forces can never be adequately examined in the abstract. They can be properly treated only in relation to how they accomplish the purposes of free men—more goods and more services at prices that people are able and willing to pay in order to enhance the individual welfare and the preservation of freedom in all of its aspects.

One characteristic of our competitive system has been its phenomenal growth and development. We have become the greatest productive nation in the world. Yet at the same time, there is increasing pressure on the government—almost overwhelming at times—for the solution of economic and social problems. About a

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*An address by Mr. Anderson before the First General Session of the 84th Annual Convention of the American Bankers Association, Chicago, Ill., Sept. 23, 1958.

ABA Holds 84th Annual Convention

Disapproval of an attempt to unseat mutuals from ABA membership and beseeching appeal by Sec. of Treas. Anderson to nonbanking institutions to support government's debt-financing efforts characterize weighty problems presented to over 10,000 bankers at their 84th Annual Convention. Lee P. Miller and John W. Remington are elected President and Vice-President, respectively, for the forthcoming year. Elwood F. Kirkman re-elected Treasurer. Principal speakers, besides Hon. Robert B. Anderson, include retiring President Joseph C. Welman; Jesse P. Wolcott; Ray M. Gidney; Paul I. Wren; Don G. Mitchell; Gov. J.L. Robertson, and Herbert V. Prochnow.

The 84th Annual Convention of the American Bankers Association concluded its meeting with the election of Lee P. Miller, President, Citizens Fidelity Bank and Trust Co., Louisville, as President.

Lee P. Miller

John W. Remington

Elwood F. Kirkman

Elected Vice-President and Treasurer, respectively, were John W. Remington, President, Lincoln Rochester Trust Co., Rochester, N.Y., and Elwood F. Kirkman, President, Boardwalk National Bank of Atlantic City, N. J. The Chicago

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 50.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Schenley Industries, Inc.—Y. Clifford Tanaka, Western Research Representative, Shearson, Hammill & Co., Los Angeles, Calif. (Page 2)

Aetna (Fire) Insurance Co.—Samuel Weinberg, President, S. Weinberg, Grossman & Co., Inc., New York City. (Page 2)

Y. CLIFFORD TANAKA
Western Research Representative
Shearson, Hammill & Co.
Los Angeles, Calif.

Schenley Industries, Inc.

At long last, stockholder-supporters of Schenley Industries, Inc. and its dynamic leader Lewis S. Rosenstiel, Chairman and President, are being handsomely rewarded. The current upsurge in investor interest is due primarily to the untiring efforts of Rosenstiel, finally resulting in passage by Congress of the Omnibus Tax Bill (Forand Bill) which carried the provision to extend the bonding period from eight to 20 years before payment of the $10.50-a-gallon excise tax on whiskies produced in the U. S. The extension applies to existing stocks of liquor as well as to future stocks. On Sept. 2 President Eisenhower signed this bill into law.

Y. Clifford Tanaka

Although this significant change has been partially discounted in the price advance of Schenley common (from the low 20s to the low 30s) in recent weeks, the full favorable impact is expected to be felt over the years.

It has been argued by those opposing the 20-year bonding law (mainly, Distillers Corp.-Seagrams, Hiram Walker, Brown-Forman and the Distilled Spirits Institute) that Schenley has a large portion of the aged whiskies in U. S. and would get a big competitive advantage from the extension. If this is true, Schenley should be in a position to benefit tremendously over the next several years through aggressive promotion of premium-brand, aged whiskies in the 12, 15 and even 20-year-old categories. While this may be a temporary advantage to Schenley, in the long run all domestic distillers are expected to benefit.

For the full fiscal year to end Aug. 31, 1958, indications are that on estimated sales of $500 million and on a "very good" August, Schenley could report net profits in the neighborhood of $3.00 per share. In addition, important nonrecurring profits are expected to accrue from the sale of Blatz Brewing.

Operating against a background of competitive pricing, unfavorable marketing conditions and high excise taxes, Schenley's profit margin dropped sharply in 1951 through 1955. Net income as per cent of sales dropped from 7.3% in 1950 to 4.9% in 1951, and as low as 0.9% in 1954. In 1957, however, the company brought down to net earnings roughly 2.3% of sales (including excise taxes), but still far short of the average net-to-sales figure of 4.4% during the 1941-1957 period.

Widening profit margins and higher earnings appear to be shaping up for Schenley. Among the factors enhancing the outlook are: (1) Extension of the bonding period to 20-years with many collateral benefits. (2) Increased imports of Scotch. (3) Increased emphasis on world markets. (4) Stronger promotion of higher-profit, premium grade whiskies. (5) Reduction and or possible elimination of private label business, which, in turn, will improve profit margins on premium grade whiskies. One official summed it up by saying: "There are many untold advantages with the passage of the bonding law." Another cautioned, however, these benefits do not depend solely on Schenley.

Over the next year or two, it would seem logical that Schenley could report net earnings of 4%, 5% or even 6% of sales (incl. excise taxes).

On projected sales (estimated) of $500 million, with 4% net of sales, or $20 million, 1959 earnings per share could amount to about $4.26 per share. Using a wide target of 7 to 10 times earnings, the projected market prices would be $29.82 and $42.60. At 5% net, or $5.32 a share, projected prices are $37.24 and $53.20. At 6%, or $6.38 a share, they would read $44.66 and $63.80, respectively. Table below is computed on the basis of projected sales of $500 million, $550 million and $600 million. In the early '60s, Schenley should attain sales of $600 million. For fiscal '59, however, allowance should be made for elimination of Blatz sales of approximately $50 million.

Common dividends have been paid since 1941. In 1957, $1 per share plus 2½% in stock were distributed to shareholders. Currently, the company is paying 25 cents quarterly. Five percent in stock was paid in Feb. A change in the dividend policy appears to have taken place in 1957 when the company initiated stock distributions, in addition to regular cash dividends. More important, since force-cuts will not be necessary, cash requirements will be greatly relieved. Thus, cash dividend payments may be liberalized next year in line with projected higher earnings.

The company's finances are especially strong. On Aug. 31, 1957, current assets totaled $339 million and were more than twice total liabilities of $164.9 million. Net working capital amounted to $291.9 million and the current ratio stood 7.2-to-1. Net current assets, less senior obligations, amounted to about $37 per share. Book value of the common stock, reflecting increased number of shares, amounted to $51.29 per share.

President Rosenstiel recently reported the company has refinanced $28.8 million of insurance company loans of early maturity, deferring them until March 1969. In addition, Schenley modified a bank credit agreement of $75 million so it will expire Aug. 31, 1963. Thus, Schenley's working capital position appears adequate for aggressive promotion of company's products.

Recently, the company paid off $10 million in bank term loans, using part of the proceeds of the Blatz sale.

Capitalization consists of $117.8 million of long-term and 4,699,823 shares of common stock on May 31, 1958. As evidence of his faith in the future of the company, L. S. Rosenstiel owns approximately 442,402 shares, or about 9.4% of the outstanding stock.

Schenley Industries, Inc., common shares are listed on the New York Stock Exchange and are also traded on the Boston, Midwest, Pacific Coast, Philadelphia-Baltimore, and Pittsburgh Stock Exchanges.

SCHENLEY INDUSTRIES, INC.—MARKET PRICE PROJECTIONS

Projected Sales		% Net of Sales	Net $ Mil.	Net* per Sh.	7 X Earnings	8 X Earnings	9 X Earnings	10 X Earnings
†$500 Million	@	4.0%	20.0	4.26	29.82	34.08	38.34	42.60
	@	5.0%	25.0	5.32	37.24	42.56	47.88	53.20
	@	6.0%	30.0	6.38	44.66	51.04	57.42	63.80
†$550 Million	@	4.0%	22.0	4.68	32.76	37.44	42.12	46.80
	@	5.0%	27.5	5.84	40.88	46.72	52.56	58.40
	@	6.0%	33.0	7.02	49.14	56.16	63.18	70.20
†$600 Million	@	4.0%	24.0	5.11	35.77	40.86	45.99	51.10
	@	5.0%	30.0	6.38	44.66	51.04	57.42	63.80
	@	6.0%	36.0	7.65	53.55	61.20	68.85	76.50

*Based upon 4,699,823 shares outstanding on May 31, 1958. †Incl. excise taxes.

SCHENLEY INDUSTRIES, INC.—7-YEAR FINANCIAL DATA

Year Ended Aug. 31	Total Sales (Mil.)	Net Sales Excl. Excise Taxes (Millions)	% Oper. Inc. of Total Sales	Oper. Inc. (Millions)	% Net Inc. of Total Sales	Net Inc. (Millions)	*Earns. —Per Common	*Divs. Share—	†Price Range
¶1958	N.A.	N.A.	N.A.	19.9	N.A.	10.6	2.25	‡1.00	39.13-1765
1957	470.0	179.0	5.1	23.9	2.3	11.0	2.33	§0.93	21.82-15.44
1956	404.2	157.9	4.7	19.1	2.1	8.4	1.80	0.93	20.90-16.72
1955	411.7	157.7	3.7	15.3	1.5	6.1	1.30	0.93	25.44-18.58
1954	409.9	167.4	2.6	10.6	0.9	3.8	.81	1.63	25.32-16.27
1953	421.3	167.0	4.1	17.2	1.6	6.7	1.42	1.86	26.02-18.58
1952	426.5	193.7	6.4	27.3	2.8	12.1	2.57	1.86	30.89-21.60
1951	450.6	213.4	9.8	44.3	4.9	22.2	4.73	1.86	38.56-29.27

*Adjusted to 4,699,823 shares outstanding on May 31, 1958. †Adjusted for 2½% stock in August 1957 and 5% stock in February 1958. ‡Indicated annual rate, plus 5% stock in February. §Plus 2½% stock in August. ¶9 months to May 31.

SAMUEL WEINBERG
President, S. Weinberg, Grossman & Co., Inc., New York City
Members: N. Y. Security Dealers Association, Inc., New York City

Aetna (Fire) Insurance Co.

With inflation difficult to control, the economy again swinging upward and plenty of cash in the pockets of investors—one cannot help being cautious and prudent in making purchases.

Samuel Weinberg

I have, therefore, selected an old line diversified insurance company that has paid dividends continuously for 85 years. Aetna Insurance Company, founded in 1819, is nationally known and has an excellent background. The company stands to gain both from appreciation of its securities portfolio and from curtailment of expenses, plus recently granted rate increases. Further rate increases have been made this year and more are in prospect.

Recent industry experience has unfortunately been unfavorable and has prompted corrective measures, now in effect. The 1955-1957 losses reflected by most companies were due to the mounting fire losses. The damaging hurri-

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How Much Recovery By Year-End?

By DR. GORDON W. McKINLEY*
Director of Economic and Investment Research
Prudential Insurance Company of America, Newark, N. J.

Economist for large mutual life insurance firm estimates business and housing outlook for the remainder of the year and analyzes past year's experience, and government's reaction, to better predict the business trend. Dr. McKinley believes: (1) fourth quarter G. N. P. will exceed $450 billion—$7 billion above the 1957 peak rate—so that 1958 G. N. P. will approximately equal 1957; (2) 1958 private and public housing starts will reach 1,125,000 with fourth quarter expenditures rising $1.5 billion above the first quarter; (3) that while the initial Governmental inaction was desirable, the Government by January, 1958, should have no longer delayed tax cut and other decisive anti-recession measures; and (4) too rapid 1957 plant expansion, resulting from overestimated demand, generated additional income which maintain the boom but proved inadequate once new capacity came into fruition.

All of us are naturally interested in the future trends in the economy as a whole and our businesses in particular, and to lay our business plans accordingly. Although this interest in the future is healthy, I am afraid that we often dismiss the immediate past too quickly without seeing what we can learn from it. For instance, what have we learned from the 1958 recession? Have we come out of the recession with business policies improved, or will we repeat the same old mistakes in the next recession? Has government economic policy advanced as the result of the experience learned in our most recent economic lesson, or must we retrace the same old pattern during the next downturn?

Gordon W. McKinley

Before giving my estimates for the months ahead, I would like to discuss briefly the following questions: (1) What caused the recession of early 1958? (2) What policies were followed by the Federal Government in dealing with the recession? (3) What results can be ascribed to those policies? (4) In what way could our national economic policies have been improved? A discussion of these questions should not only help us to learn something from experience, but certainly will put us in a better position to predict the course of business in the months ahead.

Lists Recession Causes

First, what caused the recession? Looking back to 1957, it is clear that the *immediate* initiating factors in turning business downward were: (1) The decline in our exports from the very high level reached during the Suez crisis; (2) The cutback in government defense orders and spending beginning about the middle of the year; (3) The gradual fall throughout the year in business spending on machinery and other durable equipment; and (4) The sudden reversal in business inventory policy beginning in September, 1957—from a policy of inventory accumulation to a policy of inventory liquidation. These were the four types of spending which turned downward first and which eventually dragged the economy as a whole into a short, but very sharp, recession.

If we look beyond these immediate factors and search for more basic causes of the recession, it seems to me that there were two:

(1) A too rapid expansion in plant capacity in 1956; and (2) A striking shift in the pattern of consumer expenditures during 1956 and 1957. As business activity rose following the recession of 1954, existing plant in many industries was pushed close to capacity, with the result that businessmen began to step up their expenditures for new and modernized plant and equipment. These capital expenditures of course increased incomes which in turn led to rising consumer demand which in turn placed even greater strain on output capacity. The mild capital expenditure rise of 1955 was thus transformed into a roaring capital boom in 1956, with more and more businesses joining the rush to expand capacity.

A deceiving aspect of the 1956 situation was that, although plant in many industries was operating at capacity, capacity operation was achieved only because the full cost of new plant under construction was being distributed in the form of incomes, yet the plant itself was not yet in operation to satisfy this swollen demand. Capacity was thus insufficient only on the assumption that the capital boom could be kept going forever.

By early 1957, many expansion programs were completed so that business capital expenditures leveled off. It then became apparent that, in the rush to catch up, there had been a rather general overestimation of demand. Industry after industry in the first half of 1957 fell from close to 100% operation down to 85 or even 75% operation, not because of a decline in demand but because more and

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*An address by Dr. McKinley before the 22nd Annual Convention of the Federal Savings League of New England, Swampscott, Mass., Sept. 13, 1958.

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Observations . . .

By A. WILFRED MAY

Coming Up With Hard-Boiled Market Tests

The longer the bull market is extended — both in the areas of price and glamorization — the greater becomes the urgency to apply realistic tests to investing decisions. Particularly important is this in overcoming such fictitious influences as style, and fetishes like "growth" (the too blind following of which in lieu of a realistic pricing may lead you to become "hung-up" in an issue for life).

A. Wilfred May

One major approach to realistic appraisal of a stock — as of an equity interest in real estate or a commercial business — basically lies in calculating realistically just what you are going to get out of your investment, with the accompanying purpose of arriving at a conclusion as to whether you would be better off in cash or some other medium.

Along these lines, we favor use of amortization of prospective dividend receipts, to recoup your principal along with interest compensating you for its use, over the following 20 or 25 years.

Realistic Issue Comparison

Likewise, realistic yardsticks, of one kind or another, are indispensable in comparing the *relative* worth of different issues. Too often, particularly midst bull market atmosphere, is a "glamour" industry picked without due regard to *price*. And the investor is too frequently motivated by transitory factors. Stretching this to the height of absurdity is the "seasonal" appeal, in linking particular industries or issues to holiday or weather aspects of the period. This, incidentally, manifests the "Greater Fool" philosophy; that is, assuming that the rest of the market community outside of yourself consists of a bunch of misguided nitwits, who not realizing the temporary nature of a seasonal spurt, will obligingly pay you a profit to reward your brilliant perspicacity in exploiting the calendar.

One good logical and useful tool for realistic comparison lies in considering items of value on a dollar of stock price basis instead of just on a per share basis. Such data will show the exact amount of the important balance sheet and operating items which you can get for each dollar that you pay for the stock. These items may include working capital, long-term debt and shareowners' equity, on the balance sheet; and in the income account, gross income, depletion and depreciation, taxes, net earnings and dividends. The last two items are, of course, freely published now; the others being available from analysts on request or via periodic subscription from a few of the services, as *Investographs* of Rochester.

Assets vs. Earnings

How much relative weight to be given to the income and the balance sheet areas constitutes a somewhat open question. A good test of the value to be attached to cash-laden companies will be furnished within the next two years via the "reform" going on in Montgomery Ward, post-Avery. For this king of cash-rich entities (although getting a bit less affluent) whose net liquid assets after deducting all liabilities including the entire preferred stock capitalization, still is in excess of the shares' market price, has thus far not been able to translate its recent substantial expansion and modernization expenditures into compensatory earnings return. Ward's net income results over the country's next interval of retail activity will furnish crucial evidence regarding the investment value to be given to balance sheet liquidity.

What Price AT&T?

Also bearing interesting watching over the coming year will be the market course of American Telephone and Telegraph, whose stock has been so surprisingly active and rising in recent months.

None of the prevalently ascribed reasons for the stock's rise seems to stand the test of logic. A *split* would fly in the face of the company's voluminously documented opposition to the practice, according to which it would be fruitless in both its market and distribution effects. The alternative explanation of a major switch into this equity issue by pension funds, makes no sense. During this interval of rising interest rates it quite exceptionally fails to fill the role of an inflation hedge with its regulatory ceiling on earnings (over the last decade profits rose only 32% against 274% increase in gross). And the attribution of "electronics" glamor to this issue is mere bull market nonsense.

Irrespective of other bulls on "Telephone," it has been bought heavily by the mutual funds. Since the beginning of the second quarter the issue was acquired by at least 17 investment company managements, either by way of initial or additional purchases. The largest buyer was Wellington with 40,000 shares, followed by State Street with a new commitment of 35,000 shares, and Affiliated also with 35,000. Among the other buyers in this expertise area were Pennroad, National Securities Stock, New England, and Axe-B. Those exercising conversion privileges included Lehman Corporation to the tune of 3,050 shares.

Have the funds, along with the non-professional buyers like the Stock Exchange's Monthly Investment Plan subscribers, perhaps thus forsaken rigid value tests for an "escapist" highmarket *defensive* switch toward increased safety of principal?

* * *

The Capital Gains Tax vs. the Market in France

The following communication adduces extremely important and timely information on the distortion of the stock market by the capital gains tax based on actual experience in France. Our columns of July 31 and Sept. 18, to which Mr. Felsette refers, reported on pending introduction of legislation which would cut the tax in half, and apply the assumed resulting increased "take" to reduction of the national debt — and discussed the likely political and market implications. In the latter connection is the French experience particularly important.

DEAR MR. MAY:

I always read with great interest your writing on the Capital Gains Tax.

You may be interested to learn that during the inflation that took place in France, during the German occupation of World War II, the Paris Bourse went sky high and it was necessary to repeal the capital gains tax that had been inaugurated at the beginning of the rise.

Nobody wanted to sell, to avoid paying a very large capital gains tax, and there were not enough sellers left to maintain an orderly market.

Is it not something similar happening now in Wall Street, but of course on a much reduced scale?

The government would collect more in transfer tax than it does on capital gains tax if it would do away with the latter.

Anyway if the government wants to maintain the capital gains tax, it should adopt a decreasing scale according to the length of the holding period (six months, one year, two years, five years—and with no tax over five years) similar to the one in force for the California capital gains tax.

ROBERT FELSETTE

Los Angeles, Calif.
Sept. 25, 1958

We learn that following the repeal of the tax in August, 1945, the French stock market went into a period of liquidation and decline, the index of 300 common stocks closing the year at 426—against 477 in September when the tax repeal became effective.—A. W. M.

Jack Kish Opens

BROOKLYN, N. Y. — Jack P. Kish is conducting a securities business from offices at 1620 East Second Street.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Business indications the past week pointed to continued improvement in the nation's economy with steel production registering further gains each week despite a rather dormant automotive industry. Currently, the bulk of steel orders pushing up steel output are coming from sources other than the car makers.

Last week auto manufacturers had to curtail production of 1959 models to 80% of planned output due to plant walkouts. This situation is not only delaying an early settlement of the auto industry labor problem, but is doing much harm to the workers themselves and the economy as a whole.

About 8,500 Chrysler employees and over 10,700 General Motors workers in the plants were off the job as a consequence of these walkouts.

The electric power industry recorded substantial gains in output the past week following mild declines the week before. Compared with the like week in 1957, the increase amounted to 5.5%. Lumber shipments in the week ended Sept. 20 were higher and carloadings showed fractional gains.

Trade volume in the period ended on Wednesday, a week ago, was from 2% below to 2% higher than the similar week a year ago.

On the labor front in the period ended on Sept. 13, the number of workers drawing unemployment compensation dropped to the lowest level of the year.

The United States Labor Department reporting a total of 1,953,000 workers for that week or a decline of 86,900 from the week before, stated that it represented 4.6% of those eligible for such payments, compared with 4.8% a week earlier.

In the like week of last year, the number of workers drawing unemployment compensation rose by 43,000 to a total of 1,169,200 as the first effects of the business recession began to be felt.

Initial claims for unemployment compensation, reflecting new layoffs, edged upward by 9,400 during the week ended Sept. 20 to a total of 268,600, according to the report. The agency said a good bit of the rise was because of temporary shutdowns of apparel plants in New York City for religious holidays. During the like week of 1957, initial claims went down by 23,000 to a total of 231,900.

The largest reduction in the number of workers receiving unemployment compensation in the latest reporting week came in Michigan and Ohio, reflecting recalls in the auto industry. About half the New York decline, however, was attributed to workers exhausting their benefit rights.

The upsurge in steel demand is no flash in the pan, "The Iron Age," national metalworking weekly, stated on Wednesday of this week.

This trade weekly reports that most steel men are now certain that a grass roots improvement in the market is well underway. A continued pickup is looked for over balance of the year, although it is conceded there could be a seasonal leveling off at year-end.

It added that there is increasing optimism over the outlook for automotive demand with a growing conviction the automakers will sell more 1959 models than 1958's. Detroit, it noted, is showing signs of rebuilding steel inventories after months of cutting back.

In some mill areas, cold-rolled sheet delivery promises have stretched out to five weeks. Selling on the basis of quick delivery is becoming a thing of the past and salesmen are quoting November delivery on cold-rolled sheets and landing orders.

A mild supply pinch has developed for some appliance plants and others. The reason for this is that the mills have not been able to boost production fast enough for the prompt delivery requirements of some steel users. While any shortage will be temporary, it is another indication of how the market has improved.

This trade paper reports that appliance firms are becoming a stronger factor in the market. This is a case of an end to inventory cutbacks plus a pickup in appliance sales.

Even the rail market is firming up. In the last 10 days, some orders for rails have been placed. Fairly substantial freight car orders have come in and there are signs the railroads are getting ready to step up car repairs.

A mild shortage of freight cars is being felt by steel and aluminum producers. Nothing serious so far, but one traffic man warns that a sudden boost in shipping could bring on a real pinch. At the moment, the railroads have 15 to 20% of their cars in poor repair. Last year at this time it was 9 to 11%. Truck transportation is still readily available.

Improvement in steel demand is being felt by steel service centers, or warehouses. In the Midwest, they are now receiving bulk orders for hot-rolled sheet as well as galvanized sheet and cold-rolled. The spurt in hot-rolled sheet hit so suddenly that some gages are temporarily hard to come by. Warehouses are projecting a 15% gain in total tonnage marketed during October, concludes "The Iron Age."

The number of new businesses chartered during August were at a higher level than a year ago for the third straight month, reports Dun & Bradstreet, Inc. The total was 12,234 compared with 11,361 or an increase of 7.7%. It was down 1.8% from the 12,454 of July.

The number of new concerns listed for the cumulative period January through August was 95,167. This was up a fractional 0.1%

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Rio Tinto of Canada—Radioactive Mining Empire

By DR. IRA U. COBLEIGH
Enterprise Economist

Reviewing the progress of this unique mineral enterprise, majoring in uranium, and minoring in copper, iron ore, gold, cobalt, nickel and thorium.

Most stocks selling below $2 a share are viewed with some suspicion, if not disdain, by the great majority of board room habitues. Thus, today's piece may prove a bit of a shocker in that it presents an equity, presently quoted at $1.60 a share, which represents the ownership of one of the most impressive and fastest growing mineral enterprises in North America, with a board of directors of international eminence and uranium purchase contracts, with an agency of the Canadian Government, totaling $632 million and running through 1963. Quite a company. Its official name is The Rio Tinto Mining Company of Canada, Limited, and it is the lengthened shadow of a project launched some six years ago, shepherded by a distinguished geologist, Franc R. Joubin, and grubstaked by a personality of vision and courage, Joseph H. Hirshhorn, now Board Chairman of Rio Tinto, multimillionaire, and discriminating collector of art

Ira U. Cobleigh

Geologist Joubin was convinced that fabulous deposits of uranium ores lay in the Blind River district of Ontario, on the Northwest shore of Lake Huron. His confidence and geological probing of the area, played back-to-back with Hirshhorn arranged financing opened up, in due course, one of the most important uranium mining sections in the world and led to the formation of such successful companies as Pronto, Algom Northspan and Milliken Lake. All of these are now a part of Rio Tinto of Canada, and major suppliers of uranium oxide to the atomic arsenal of the Free World.

In six years the township of Elliott Lake has burgeoned, and attained a population of over 18,000; and a symphony of Geiger counters, clacking over thousands of acres of Blind River terrain, has now been converted into a significant industrial community embracing several major uranium mining and milling companies, the largest of which is Rio Tinto.

Rio Tinto of Canada is by no means a simple company. It was formed in 1955 to place under a single corporate roof the Canadian interests of Rio Tinto Co. Ltd. of London, and the substantial and extensive Canadian mining interests of J. H. Hirshhorn. Operating as a holding company, it owned (Dec. 31, 1957) a 75% common stock interest in Algom Uranium Mines (through ownership of 2,724,089 shares of Preston East Dome); 42.7% in Milliken Lake Uranium Mines; 14.4% in Pronto Uranium Mines; 33.9% in Northspan Uranium Mines; 31% in Pater Uranium; 15.3% in Peach Uranium; and 6.1% in Rix Athabasca. These are all producers of uranium, the largest being Northspan with a total mill capacity of 8,500 tons per day; and these are the backbone of the current earning power of Rio Tinto. Rio Tinto also owns $4,205,000 of Algom 5% debentures and $9,275,000 in Northspan debentures due 1963.

The company does not, however, stake its entire future on uranium. Attractive and predictable as earnings from this source may be, the long range future of the company is geared as well to potential extraction of a number of other valuable minerals in many sections of Canada and in South Africa.

There is a 44.7% interest in Oceanic Iron Ore of Canada Ltd. with an already indicated 300 million tons of commercial grade iron ore; an associated interest in Hudson-Ungava Nickel Mines, holder of a 100 square mile concession in Northern Ungava; a 52% interest in Anglo-Rouyn Mines, a copper property in the Lac La Ronge area in Saskatchewan; and large share holdings in Consolidated Frederick Mines, and Consolidated Howey Mines in Canada.

In Africa, Rio Tinto has a 35% interest in the Empress Nickel deposits of nickel and copper in Rhodesia; and a 15% interest in the extensive Palabora low grade copper deposits in the Union of South Africa.

These and 30 odd smaller investment interests in a diversity of gold, silver, copper, lithium, lead, nickel and rare earth properties make up the quite panoramic holdings of this interesting company. For a complete and accurate catalog of consolidated subsidiaries, associated companies, and interests, you need to consult the latest annual report, as only the most important holdings have been touched upon here.

Naturally, a company with its fingers in so many pies seems quite complicated; but its capitalization is much simpler, merely $14,688,000 in 5% debentures due May 1, 1963 and 53,204,338 common shares. The bonds are quoted at 94 (ex-warrants) over the counter. Each $1,000 bond originally carried warrants to purchase 100 shares of common at $1 to May 1, 1959 and at $2 from then through May 1, 1962. These warrants have since been detached and trade separately at around 60c apiece. The common stock is traded over-the-counter and currently sells around $1.60. All these quotes are in Canadian funds.

A look at stocks currently available below $2 reveals Rio Tinto common as unique in many respects. First, it has probably a greater number of common shares outstanding than any other issue in its price range. Second, whereas hundreds of uranium shares have displayed quite meager, even mythical, values, here's one of some substance, and one wherein the future may reasonably be viewed with some optimism. Up to now earnings haven't been impressive, but that is due to the fact that a number of the company's units are only this year approaching full production schedules. 1957 resulted in a slight net profit, $121,819, and results this year should show substantial improvement.

Uranium bonds, although a new type of security, have in the past couple of years gained considerable investor acceptance on the theory that they are virtually indirect government obligations, since the sale of mill output is directly to a government agency on an assured long-term contract. Further, heavy sinking funds should substantially maintain the market in these bonds, and are calculated to retire a high percentage of them prior to maturity. In the case of Rio Tinto 5s, $12 million must be retired prior to Oct. 30, 1962. This constant debt retirement, of course, serves to build up the common stock equity. So, if all goes well, a sound uranium company such as Rio Tinto should reach the end of its contract period free of debt, with its mills free and clear, and a sizable cash flow balance in addition. Even if uranium is a less urgent mineral five years hence, Rio Tinto should then have substantial earned resources with which to expand its other mineral properties.

In January 1958, a new company was formed, Rio Tinto Dow Limited, to exploit thorium and rare-earths which are by-products of uranium mining in the Blind River area. Ownership of this Rio Tinto Dow is spread among the Rio Tinto of Canada, Dow of Canada, Algom, Northspan and Milliken Lake. The new thorium plant, the first one in Canada, should be in operation early next year and reach capacity output by midsummer 1959.

The uranium mines and mills of Rio Tinto have been brought into production with remarkable speed, despite some unforeseen delays. Pronto began milling in late 1955, Algom in February 1957, and Milliken in March of this year. Certain shortages of workers, supplies and equipment delayed Northspan operations. The plants at Panel began crushing last December and Spanish Uranium commenced operations in March of this year.

Full on-stream production at all plants should create a dramatic rise in earning power and supply new market tone to Rio Tinto common. Among lower priced mineral speculations, this one seems to carry considerably less risk than most, and has the benefit of excellent management, strong financial sponsorship, substantial and well located ore reserves, and full output contracts running into 1963. In addition, there is a broad horizon of potential ultimate development of many controlled and affiliated mineral properties.

The Outlook for Steel Demand in 1959

By LOGAN T. JOHNSTON*
Executive Vice-President, Armco Steel Corporation
New York City

Steel executive predicts nation's steel industry should produce 25% more in 1959 than in 1958. Observing a shift in economic balance to side of recovery, Mr. Johnston cautions against expecting another near future boom but does find encouraging the fact that we are better off than we were six months ago. He estimates 108 million tons of ingots for 1959 or about 75% capacity in that year, as against 85 million tons of ingots or 60% capacity for this year, and expects all of steel's major markets will share in 1959 upturn.

When the business machine started to sputter last year, management decided to lighten the load and a sharp liquidation of inventories began. As shrinking output reduced profits, a snowballing effect got underway with the major impact felt by the durable goods industries.

L. T. Johnston

From the peak of the boom last year to the low point reached this past spring, gross national product fell by only 4%, total industrial production by 13%, **durable goods** production by 20%, and **steel** production by 38%. So you can see that our industry has been affected more than most others.

A major part of the sharp decline in steel was due to inventory reduction. Our figures show that steel inventories, in terms of ingots, have dropped about 15 million tons since the middle of last year. However, we now see a reversal of this inventory cycle.

Today it is no longer page one news that the economic skies are clearing. The FRB Index of Industrial Production is now about 9% above the recession low of 126 reached last April. Output of electric power, petroleum, machinery, furniture and textiles is continuing to rise.

Personal income in July established a new record rate of $355 billion, thanks to a broad rise in payrolls. Home construction has now gone up for six straight months, and the rate for August was at the highest level in two and one-half years.

Gross national product moved up a little in the second quarter and government expenditures are increasing.

Corporate profits appear to have checked their decline in the second quarter. Consumer credit has had a breathing spell and should help to support a high level of demand for consumer durable goods.

Economic Balance Shifts to Recovery

The balance has now shifted to the side of recovery—not enough to expect another boom in the near future, but certainly enough to make us all feel considerably better than we did six months ago.

It appears that the only group of industries which may lag behind the rising business pattern for the next several quarters is in the area of capital goods. The tremendous postwar outlays for new plants and equipment—particularly in the last three years—pushed industrial capacity a little beyond our consumption needs. As we have always done in the past, we will grow into our enlarged industrial capacity and a new wave of expansion will be underway.

In the meantime, the highly competitive nature of our economy will generate a comfortable level of business expenditures for modernization and cost saving equipment.

In fact, the latest government survey of capital expenditures for all types of industry indicates that these supporting forces are gaining strength. That report projected a slight pick-up in capital outlays for the last three months of the year. The most recent Conference Board report on capital appropriations by manufacturers also suggests that the decline in capital outlays by this segment of industry is nearing its end. So there appears to be room for encouragement in this vital area of the economy.

So much for the general business climate. What can we expect for steel demand?

Examines Steel Demand

First, let's look at the automotive industry—usually the number one steel consumer, and the Waterloo of many forecasters.

This year the potential car buyer has lived in an uncertain economic atmosphere. In 1959 the outlook will be brighter and personal incomes are due to go up. Added to this is a relatively favorable auto credit situation.

All this leads us to believe that

Continued on page 37

*An address by Mr. Johnston before the Marketing Conference of the National Industrial Conference Board, New York City, Sept. 19, 1958.

Monetary Discipline and European Economic Trends

By RT. HON. REGINALD MAUDLING*

Paymaster General, Great Britain

Former Minister of Supply, and Economic Secretary to the British Treasury

British economist stresses importance of Western European economic strength in mitigating American depressions, in fighting Communism, and in helping under-developed countries. Hails establishment of the European Economic Community, whose benefits and dangers he details.

The developments that are taking place in the European economic system, the establishment by the Six Powers of the European Economic Community, and the negotiations for a Free Trade Area, are of profound economic and political significance. I stress their political significance because it seems to me that the political unity of Western Europe is intimately bound up with its prospects of economic expansion. Division in Europe can have results that are as serious for the achievement of our political ends as for our prospect of economic expansion.

Reginald Maudling

A strong European economy is essential to the health of the free world. I can, for example, as recent experience has shown, act as a great stabilizing factor. In 1954, the strength of the European economy did much to prevent a spread of the recession you then suffered in the United States. But there are even more important issues. In the long struggle for the allegiance of mankind that is being waged between the free world and the Communist world, economic strength is of fundamental importance. We must demonstrate that our free system can at least match the Communist system, and preferably surpass it, in what it can ensure for the living standards of our peoples. Moreover, it is of high importance that Western Europe should be able to play its part in helping the under-developed countries forward on the road to better living conditions, both by providing a market for their products and by providing capital for their development. For all these purposes a healthy and progressive Western European economy is essential.

Results Over the Past Decade

We draw much encouragement from the results of the last 10 years. Since the foundation in 1948 of the Organization for European Economic Co-operation, in which the United States Government played such a great part, the development of the European economy has been quite spectacular. I do not believe this development would have been possible without, first, the aid that came across the Atlantic from the United States and from Canada and, second, the co-operation that has been developed among the 17 countries in the Organization for European Economic Co-operation and the European Payments Union. We have in these 10 years established a multilateral system of payments and credits which has proved remarkably successful. With this and with the progressive reduction of quotas which has resulted from the trade liberalization policies of the OEEC, Western European trade has thrived and expanded.

This successful experience has encouraged us to believe that another forward stride can be made. If we can turn the whole of Western Europe into one single market how great will the advantages be? I have no need in this company to dwell upon the importance of a mass market for the full exploitation of modern industrial technology. The United States furnishes the outstanding example of this. In the 17 countries of Western Europe there can be a single market of more than 250 million people. This is our goal and you can see what immense possibilities it offers.

The European Economic Community

We can already see one remarkable achievement: the signature of the Treaty of Rome by the Six Powers—Germany, France, Italy, Belgium, Holland and Luxembourg. This Treaty established the European Economic Community, which will in effect be a merging into one of the six separate economics of these countries. Progressively, over a period of 12 to 15 years, they will abolish all barriers to trade amongst themselves, while establishing a common protective tariff against the rest of the world. Moreover, they intend to develop a single common economic and commercial policy which will be worked out and deployed under the supervision of an international commission.

This, as I said, is a great achievement. It will undoubtedly add greatly to the strength of these six countries, and what strengthens our friends strengthens us. So we, in the United Kingdom, have been very glad to see how much our friends have achieved and what prospects this holds out for them. We have, however, felt a concern that the establishment of the European Economic Community by itself might carry certain dangers. There is a danger of division between the six countries and the other eleven countries of Western Europe. If no other arrangements are made, then, as the Treaty of Rome takes effect, British goods will, for example, pay a higher rate of duty in the Dutch market than would German goods. At the end of the period of transition all goods will pass free of tariff and quota among these six countries of Europe, while they will continue to put a common tariff upon goods coming from their other European neighbors. This result, which I myself describe as discrimination (though I know this description is challenged) cannot fail to have a divisive effect on the European economy and ultimately upon the European political system.

Moreover, we fear there is some danger that the six countries may pursue what are called "inward-looking" or "trade diverting" policies rather than "outward-looking" or "trade creating" policies. In other words, they may concentrate more on expanding trade amongst themselves than on maintaining imports from traditional suppliers. This prospect is certainly causing considerable alarm to many primary producing countries throughout the world. We in the U. K. would regret very much the development of any such tendency. For our part we are working in the opposite direction as is shown by the decision announced this week to remove more controls from dollar imports into the U. K.

Wider Implementation Needed

For these reasons we felt that we should try and find a scheme whereby the Treaty of Rome could be complemented by a wider association covering all 17 countries now in the OEEC. In this way we thought a division of Europe could be avoided and the expansion of trade throughout the world more effectively promoted. In this context, however, the Treaty of Rome itself could function more easily. This view, I believe, has been generally accepted, and we have as a result been trying to negotiate a European Free Trade Area.

Impossible for U. K. to Join

I am sometimes asked why we do not join the European Economic Community; and certainly the six countries who signed the Treaty of Rome have always made it clear that they would welcome new recruits. But for us in the United Kingdom, and for many other European countries, such a course is not possible, because we cannot accept the policy of integration, political and economic, that is implicit in the Treaty of Rome with its provisions for common policies and a common external tariff. We, and other countries, cannot reconcile with our traditional political policies the political implications of the Treaty of Rome. We, in the United Kingdom, have the special circumstances of our relations with the Commonwealth. Moreover, of our world-wide trade, only a quarter is conducted with Europe and of this only a half with the countries of the European Economic Community. We cannot tie our hands in our trade relations with the Commonwealth, or with you in the United States, now our biggest market, in the way which would be involved in joining the Treaty of Rome. But, in the Free Trade Area we believe there is a solution to these problems.

While in the Free Trade Area there will be the same freedom of trade among the 17 countries as is envisaged in the Treaty of Rome for the six countries who signed that Treaty, in the Free Trade Area there will not be a common external tariff. Each country will retain its independence in these matters. While the object of the Free Trade Area is, like the Treaty of Rome, far more than the mere removal of barriers to trade, and while it also aims to develop closer and more intimate cooperation in Western Europe on all economic problems, in the Free Trade Area we will work not by establishing a single uniform policy, but by the progressive concerting of individual national policies in a spirit of partnership. This, it seems to me, is a method of which we in the West, and particularly in the Commonwealth, have much experience, experience on which we can base sound hopes.

I cannot offer any prediction as to the outcome of the negotiations. There are many and serious difficulties to be overcome. It is not easy to reconcile the two rather different concepts of the Treaty of Rome and of the Free Trade Area. But I believe there is in Europe now a general recognition of the importance of our negotiations succeeding. Certainly there is a widespread realization of the serious consequences that failure would involve. I have no doubt that the will to succeed exists and if the will be strong enough I am sure a way will be found.

*An address by Mr. Maudling before the United States Council of the International Chamber of Commerce, New York City, Sept. 19, 1958.

Comments on Business Situation

By HARRY A. BULLIS*

Chairman of the Board, General Mills, Inc.

Noting the quick 4½% GNP dip of six month's duration has been succeeded by an abrupt upturn after first quarters low point, Mr. Bullis believes GNP in last quarter of 1958 will be about equal to the high third quarter of 1957 and that 1959 will be an excellent year in the business world. Perceives present tapering off in capital spending followed by upward change by mid-1959; finds decline in profits has apparently been arrested; and refers to uncertainties of inflation and foreign situation.

It is now apparent that the recent business contraction reached its low point in the first quarter of 1958, when Gross National Product dipped to an annual rate of $425.8 dollars—nearly $20 billion under the third quarter of 1957 which was the previous high. Thus the recession has been characterized by a quick dip of 4½% in Gross National Product in a period of six months, and an abrupt turn after the low of the first quarter. Industrial producion has climbed slowly but steadily from its low point in April, and by July had gained back nearly a third of its previous overall decline. Best of all, the recovery has been widespread, including substantial improvement in the manufacture of primary metals and consumer durable goods which had suffered the greatest decline.

Harry A. Bullis

Consumer Expenditures

Both wholesale and retail business has been improving gradually since the low points reached this spring, as consumers increased their spending from slightly enlarged incomes in the second quarter. It is evident that the economic adjustments did not cause the American people to lose confidence. They reflected some concern by curtailing purchases of durable goods involving increased installment credit; however, they continued to save at a high rate and they spent liberally for non-durable goods and services. The maintenance of personal income has been an important factor in bringing about recovery. Total consumer expenditures in the second quarter of 1958 were fully as high as in the peak third quarter of 1957. Personal incomes and expenditures will continue to increase as the result of wage increases and higher employment.

Increase in Production

For many months, total consumption has exceeded total production. The gap has been filled by drawing upon inventories. Inventory liquidation reached an annual rate of $9½ billion in the first quarter of 1958, and the liquidation continued at a rate of $8 billion in the second quarter. As consumption rises further, there will be increased leverage on production because production will have to rise at a rate of $8 billion merely to put an end to inventory liquidation at the present rate of consumption. If consumption increases by $5 billion in the third quarter, that much more will have to be produced.

It seems reasonable to believe that demand for goods will increase in the months ahead so that our Gross National Product in the fourth quarter of 1958 will be about equal to the high third quarter of 1957.

Government Programs

The Federal programs to counter the recession are beginning to be effective. The appropriation of $1.9 billion to encourage housing construction has undoubtedly been a factor in the increase of housing starts from the low rate of 915,000 in February to 1,160,000 in July. The additional appropriation of $1.6 billion for highways will encourage faster planning and construction. In addition, defense expenditures are expected to increase by $2.4 billion, and the reduction in certain excise and transportation taxes will help a little.

Business Programs

Many businesses have taken steps to put their individual houses in order. The profit motive is a powerful incentive and as profits declined, programs for cost reduction, product improvement, and elimination of unprofitable items and procedures were stepped up. All of this contributed to business confidence and helped to turn the tide toward early recovery. Apparently the decline in profits has been arrested. Business was up against the gun, and it did something about it.

Plant and Equipment Expenditures

Business expenditures for new plant and equipment are still declining, but the decline seems to be tapering off and there are indications that plans call for modest increases in capital investment during the fourth quarter. Spending in the fourth quarter of this year will be at an annual rate beyond the $30 billion that had been recently anticipated for the year itself. As the demand for goods increases, business will find it desirable to increase spending for better equipment to reduce costs, as well as for expansion of production facilities to produce new products coming out of research. By mid-1959, I believe investment in new plant and equipment will be going forward at a high rate.

Conclusion

The major adverse factors are the uncertainties created by the foreign situation and the possibility of inflation. If these uncertainties can be brought under control, we can be assured that economic recovery will proceed soundly.

I do believe that there will be a gradual inflation. The failure to come to grips with the basic problem, which is the constantly rising labor wage scale, is a primary factor in producing this situation.

However, I am optimistic, and I believe that we shall move forward toward solid economic recovery, and that 1959 will be an excellent year in the business world.

*From a talk by Mr. Bullis at a luncheon of Business Leaders in San Francisco, Calif., Sept. 22, 1958.

Invisible Sound Barriers Restraining Our Economy

By PAUL B. WISHART*

President, Minneapolis-Honeywell Regulator Company
Minneapolis, Minn.

Firmly rejecting a defensive attitude toward profits, midwest industrialist calls upon all business executives to "make as much profit as is legally and ethically possible — and not apologize for it." The Minneapolis-Honeywell head makes clear that this advice is not a "public be damned" stand. Mr. Wishart advocates an educational program showing why pursuit of profits best serves the private and public good. Adds that the public is in danger when people believe that business is in business first to serve and only secondly to make a profit. Other "invisible sound barriers" to more effective sales performance, besides the attitude toward profits, are found to be: public's resentment of pressure, growing buyers' sophistication, new emphasis on security, and trend toward diffusing salesmen's responsibilities.

One problem looms above all others in industry today; or you might call it two problems rolled into one. First is how can industry bring its profits back to a satisfactory level? And the second is, in order to do that, how can we reinvigorate our salesmanship to meet the unprecedented selling needs of today? I have some pretty definite ideas on this subject. Many may find that these ideas are not in themselves the inventions of my own imagination. They are ideas that must have occurred to many others. But perhaps many may not have thought of them in immediate relation to the problem of profits and sales. If I can make this relationship as clear as it is to me —if I can evoke a determination to act on the implications of this relationship—then I believe this will indeed have been a fruitful effort.

Paul B. Wishart

When I first addressed myself to the problem of profits and sales, I began to feel as if I had been cast in the role of a detective in a mystery novel. For the central question of what has happened to salesmanship in American industry has all the ingredients of a baffling whodunit.

We have, first of all, the incongruity of the problem—just as puzzling as the corpse found in the room with all the doors and windows locked from the inside. Let us examine this incongruity for a moment.

Here we have the world's best developed industrial system, one of whose two foundation pillars has always been salesmanship. Co-equal in importance with our ability to produce in ever-growing quantities has been our ability to sell—to move our inventory—in precisely the same quantities. Salesmanship as the world knows it today—that is, super-salesmanship—has been an American invention.

Yet suddenly, mysteriously, we find that our salesmanship is no longer adequate. And the crux of the mystery is: what has happened?

We are given some clues. Has it been the disappearance of the so-called "hard sell?" Has it been an over-emphasis in our products on form as opposed to function—too much chromium and no gas tank? Has it been an over-pricing brought about by a steady increase in wages? Has it been our sales direction?

I don't want to draw this analogy to the detective story too thin, but there does seem to me one further parallel. In the well-managed mystery, there are invariably many obvious clues which, if the reader follows them indiscriminately, lead to the wrong solution. The butler with the pistol in his back pocket and the stiletto under his vest is never the culprit.

The reader must, in other words, look beneath the surface for the more subtle clues.

I have given a great deal of thought in recent months to an examination of some of the less obvious factors that underlie the surface of our economy. And it seems to me that I have found five in particular that hold the key to the mystery of what is wrong with selling today.

Explains Phrase Employed

I call these five factors "the invisible sound barriers in selling." I do not use this phrase simply as a catchy device to get your attention. I use it because I think that the best way to summarize what is wrong—and also, what is right—with American selling is to draw a parallel between industry today and the familiar problem of aircraft design at the end of the last war.

We all remember that as the war ended we had pushed the performance of our planes to such a level that they could go no faster. The sound barrier stood in the way. It would have been foolish to have said then that our failure for several years to produce supersonic planes meant that we were turning out second-rate planes. Actually, we were then turning out the best planes we had ever produced. It was simply that they were not good enough to solve the new problems our aircraft designers had created for themselves by their own skill.

And that is precisely what I think can be said about salesmanship in this country today. By the excellence of our production and sales techniques we have pushed ourselves to a new requirement level. Our economy has reached a new peak. And it should surprise no one that from this peak we can suddenly see new vistas—and new obstacles— that never were visible before.

So to me it is pointless to say that our shortcomings today can be corrected by a return to something we remember from years ago. We need a new level of performance to meet our new level of problems.

Describes Obstacles

Why, specifically, have these problems arisen? Let me list for you the five different circumstances that I think create these problems. I believe you will agree that they have never before exerted the restraining influence on our economy— and particularly on the selling function of it—that they do today.

First, there is a broad-based criticism of the profit motive. In the free-enterprise system there is one central motivating force that makes all the wheels turn: the desire for profit. Yet never before in our modern history has this motive fallen into greater public disrepute. And this public attitude in turn has had an inhibiting effect on the actions even of businessmen, who by and large do not share it.

Second, there is a widely-held public resentment against the application of pressure. Psychological pressure of one kind or another has always of necessity characterized the act of selling. Yet today the public is asserting its individuality in a way that dampens the effectiveness of this kind of pressure. I am not saying that this is a negative social or economic development. But it is a basically important one that we who would sell to the public must recognize and adapt ourselves to.

Third, there is a rapidly-growing sophistication of the buyer in our economy. Again, this is not by any means a negative development. In fact, it is one for which industry itself is largely responsible. But it puts new stresses in the buyer-seller relationship—stresses which industry must meet by redesigning its operational structure.

Fourth, there is a new emphasis on social and economic security that has brought to industry a sluggishness—a lack of direct response to executive direction. This has invaded all levels of business operation. Once again, this is not a development that we must deplore in all its aspects. Social and economic security means more fruitful lives for millions of Americans. It contributes significantly to confidence that supports purchasing. But let us be realistic, too, and recognize that it creates new responses and new relationships as between employer and employee.

Fifth—and most specifically applying to the salesman—there has developed in recent years a diffusion of the salesman's responsibility. For a variety of reasons, everybody seems to have been getting into the selling act. And the more people who are in it, the fewer people can be held responsible for its success or failure. The salesman, who used to be the star of the show—with all the responsibility and opportunity for reward that that role implied — is now just one of the players. It seems to me we must give him back his star billing.

Those, then, are the five basic problems that comprise the invisible sound barriers in American selling. Now let us examine them in more detail and see what, specifically, we can do to break through the obstacle they impose.

Examines Profit's Acceptance

First, there is the public attitude towards profits. I think the best way to illustrate what I have in mind here is to quote a couple of paragraphs from some remarks by Alfred Oxenfeldt of the Columbia University Business School. They say better than I ever could exactly what I have in mind. I quote:

"It is surprising how few businessmen will state publicly what they are in business to make as much money as they can—within the limits of the law. Instead, many speak of management's public responsibility and describe top management as an arbiter of the competing claims of labor, consumers, stockholders and government.

"Space does not permit discussion of this so-called 'enlightened view' of management. I must resort to a flat assertion that a free-enterprise economy can be badly distorted and its functions impaired seriously if decisions are made by persons who regard themselves as self-appointed public utility commission officials. Management's function, within the framework of our economic system, is to pursue maximum profit."

Could management have been open to such a charge 20 years ago? I doubt it. Perhaps many company executives will deny the validity of the charge. But I could not agree with Professor Oxenfeldt more fully. I believe that too many businessmen have allowed themselves to be pushed by a particularly articulate segment of public opinion into a defensive attitude toward the earning of profits.

This is not to say that businessmen themselves hold this unrealistic point of view of the function of the privately owned corporation in the free enterprise system. But, being citizens of a republic in which public attitudes are in the long-range controlling, they must often give consideration to acting as if they did.

And of course, whenever a shadow of a doubt begins to cross an executive's mind as to the social—or, shall we say, public relations — desirability of pushing his profits as high as he possibly can, the sales department is one of the first to sense the wavering attitude.

For in many cases this attitude toward profits stems directly from a wavering attitude toward what is, after all, one of the logical results of an effective sales job. Stated starkly, this result is the elimination of at least some of the competition.

Takes Issue With Folk Myth

Now, when I say "the elimination of at least some of the competition" I am not casting an even furtively longing eye in the direction of monopoly or anything approaching monopoly. I am simply taking issue with the popular folk myth that has sprung up in recent years that nobody, but nobody, should be run out of business.

It is precisely this attitude that has given rise to the wonderfully bewitching — and totally misconceived — notion that you can take the risk out of doing business. You can take the risk out of business only by taking the incentive out. And if you will stop to analyze it for a moment—as I wish some of the more vocal critics of business would stop to do—the elimination of inefficient competition is exactly the theoretical goal of all effective competition within our economic system.

We may deplore the fact that last year there were 13,739 busi-

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*An address by Mr. Wishart before the National Industrial Conference Board's 6th Annual Marketing Conference, New York City, Sept. 18, 1958.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter No. 41—Report on possible role of lithium in a thermo-nuclear fusion device, etc.—Atomic Development Mutual Fund Inc., 1033 30th Street, N. W., Washington 7, D. C.

Behind the Market—Brief analyses of **El Paso Natural Gas, Monsanto Chemical, Phillips Petroleum** and **Westinghouse Electric**—Schweickart & Co., 29 Broadway, New York 6 N.Y.,

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current Foreign Letter.

Canada's Pulp & Paper Industry—Review—The Bank of Nova Scotia, Toronto, Canada.

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Life Insurance Stocks — Comparative analysis of 60 stocks showing 20-year performance analysis—$1 per copy (included without charge is 5-year analysis of 16 New York City Banks) — Ralph B. Leonard & Company, Inc., Dept. Chron. 102, 25 Broad Street, New York 4, N. Y.

Oil Stocks in the Crisis—Study—J. R. Williston & Beane, 115 Broadway, New York 6, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 19-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Payments Problems in Latin America — Review — In current issue of "Latin-American Business Highlights"—Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

Philadelphia Bank Stocks—Comparison of 12 largest Philadelphia Banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Science and Securities—Review of scientific developments for today's investor—To be published quarterly—with surveys of electronics, nucleonics, drugs, chemicals—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Tobacco Stocks—Survey—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Treasury Financing — Appraisal — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

* * *

American Investors Corporation—Analysis—Searight, Ahalt & O'Connor, Inc., 115 Broadway, New York 6, N. Y.

American Steel Foundries — Data — du Pont, Homsey & Company, 30 Milk Street, Boston 9, Mass. Also in the same circular are data on **Norfolk & Western Railway, Signode Steel Strapping** and **Rayonier.**

American Telephone & Telegraph Company—Investment analysis and financial forecast—David J. Greene and Company, 72 Wall Street, New York 5, N. Y.

Citizens Utilities Company—Analysis—Schwabacher & Co., 100 Montgomery Street, San Francisco 4, Calif.

Colorado Fuel & Iron Corp.—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Connecticut Light & Power Company—Review in "Over-the-Counter" securities bulletin—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Southern New England Telephone Company, Emhart Manufacturing Company, Fafnir Bearing Company, Eli Lilly & Co., Metal Hydrides, Inc., Perkin Elmer Corporation, G. D. Searle & Co.** and **Stanley Works.**

Du Pont General Motors Divestiture—Study—Boni, Watkins, Jason & Co., Inc., 37 Wall Street, New York 5, N. Y.

Eastern Stainless Steel—Bulletin—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

Erie Resistor Corp.—Memorandum—Fulton Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

Fischer & Porter Company—Analysis—Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y.

Hecht Company—Brief analysis in "Current Comments for Investors"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a review of **Northwest Airlines, Inc.** and two selected portfolios.

Ingersoll Rand Co.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Iowa Illinois Gas & Electric—Data in October "Monthly Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same issue are data on **Pacific Cement and Vulcan Materials.**

Iowa Power and Light Company—1957 Annual Report—Iowa Power & Light Company, Des Moines 3, Iowa.

Jefferson Lake Sulphur Co.—Memorandum—Emanuel, Deetjen & Co., 12 Broadway, New York 5, N. Y.

Johnson Service Company—Analysis in current issue of "Business and Financial Digest"—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is an analysis of **Weyerhaeuser Timber Company.**

D. S. Kennedy & Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Litton Industries, Inc.—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Long Island Lighting—Survey—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also in the same circular are surveys of **Southern Pacific, Safeway Stores, Flintkote Co.** and **British Industries Corporation.**

Market Basket—Memorandum—Bateman, Eichler & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is amemorandum on **Petrolane Gas Service, Inc.**

Marmon Herrington Company—Review—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Nippon Gas Chemical Industries—Analysis in current issue of "Monthly Stock Digest" — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same Digest is an analysis of the current Japanese economic situation.

Nopco Chemical Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Pacific Power & Light—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Phillips Petroleum Company—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Travelers Insurance Company** and **Bestwall Gypsum Company.**

Republic Steel—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

Seneca Oil Co.—Memorandum—Miller & Co., 105 East Fourth Street, Tulsa, Okla.

Sperry Rand Corp.—Report—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Standard Pressed Steel Co.—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Goebel Brewing Company.**

Sterling Drug Inc. — Analysis — Edwards & Hanly, 100 North Franklin Street, Hempstead, N. Y. Also available is a memorandum on **Neptune Meter Co.**

Tidelands Royalty Trust "B" — Circular — Carothers & Company, Inc., Mercantile Bank Building, Dallas 1, Tex.

Yard Man Inc. — Report — S. D. Loring Co., 74 Trinity Place, New York 6, N. Y.

COMING EVENTS

In Investment Field

Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Oct. 2, 1958 (Des Moines, Iowa)
Iowa Investment Bankers Association Field Day at the Des Moines Golf & Country Club.

Oct. 2-3, 1958 (Kansas City, Mo.)
Southwestern Group of the Investment Bankers Association annual outing at Oakwood Golf & Country Club; cocktails and lunch at Eddys Thursday and dinner that evening; golf, etc., Friday.

Oct. 6-7, 1958 (Boston, Mass.)
Association of Stock Exchange Firms Board of Governors meeting at Somerset Hotel.

Oct. 8, 1958 (New York City)
New York Group of Investment Bankers Association annual dinner at the Waldorf-Astoria Hotel.

Oct. 9, 1958 (New York City)
Commodity Exchange Silver Anniversary Dinner at the Hotel Astor.

Oct. 25, 1958 (New York City)
Security Traders Association of New York annual cocktail party and dinner dance at the Hotel Pierre.

Nov. 7-8, 1958 (Chicago, Ill.)
National Association of Investment Clubs 8th annual convention at the Hotel Sherman.

Nov. 10, 1958 (New York City)
Security Traders Association of New York Annual Beefsteak Party at the Antlers Restaurant.

Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)
Investment Bankers Association of America annual convention at the Americana Hotel.

Toronto Bond Traders Elect Officers

TORONTO, Canada — John A. Lascelles of Dominion Securities Corporations Ltd. was elected Chairman of the Board of Governors of The Toronto Bond Traders' Association for the 1958-59 season at the annual meeting of the Association. Other Governors of the new Board are:


John A. Lascelles


D. L. Erwood


F. A. Blain

Vice-Chairman—D. L. Erwood, Harris & Partners Ltd.

Secretary—N. K. Owen, Equitable Securities Canada Ltd.

Treasurer—F. A. Blain, A. E. Ames & Co. Ltd.

G. Campbell, Burns Bros. & Denton Ltd.; L. F. Gower, Midland Securities Corp. Ltd.; J. R. McCloskey, Royal Bank of Canada; R. A. White, James Richardson & Son; L. M. Wightman, Isard, Robertson & Co. Ltd.; A. R. Smith, Ex Officio Chairman.

Rothbart Partner in Rodman & Renshaw

CHICAGO, Ill.—William Rothbart has been admitted as a general partner in the investment firm of Rodman & Renshaw, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges, T. C. Rodman announced.


William Rothbart

Mr. Rothbart has been in the brokerage business for the past 35 years. He started with Clement Curtis & Co. and prior to joining Rodman & Renshaw in 1957, he was associated with Reynolds & Co. for 10 years.

Small & Company Opens in Wichita

WICHITA, Kans.—Small & Co., Inc. has been formed with offices in the Union Center Building to engage in a securities business. Officers are Donovan M. Small, President; Amos C. Small and V. L. Small, Vice-Presidents; M. L. Lawhon, Secretary; and William Porter, Assistant Secretary. Mr. Amos Small and Mr. Donovan Small were formerly officers of Small-Milburn Company, Inc.

Financing Our Government Presents Staggering Problems

By CARL G. FREESE*

Chairman of the Committee on Government Securities and the Public Debt of the Nat'l Ass'n of Mutual Savings Banks and President and Treasurer, Connecticut Savings Bank of New Haven, Conn.

Phrases such as "trying problems" and "staggering financing problems" underscore Connecticut banker's appraisal of the Treasury's task of financing our Government without inducing inflation, deflation and unstable capital market. Long familiar on a consultive basis with the subject, Mr. Freese wonders how much farther savings banks can continue reducing their Government security holdings, now approaching 15 to 20% of assets, and increasingly add mortgages and corporates. He notes growing interest in short and intermediate term Governments as part of a liquidity fund as opposed to traditional practice of savings banks limiting themselves to long term bonds. The Connecticut banker observes that even if our Federal debt did not rise there still would be the difficult job of refinancing maturing and called issues, and that the existence of growing debt serves to complicate the problem.

In fiscal 1958 our Federal Government spent close to $72 billion, nearly $5 billion more than it took in. In the present fiscal year ending June 30, 1959, it expects to spend $78 billion, $12 billion more than anticipated receipts. Reflecting recent and expected deficits, the Treasury requested an increase in its temporary debt ceiling from $280 to $288 billion, which the Congress granted last month. And Secretary Anderson has indicated that there is little likelihood in the years ahead of reducing this huge debt; indeed the prospects are for further increases.

Carl G. Freese

Even if the Federal debt were not to grow at all, the Treasury's debt management team would be faced with trying problems of refinancing maturing and called issues. The expected need for large sums of additional new financing seriously complicates their task.

While these financing problems are, of course, of immediate concern to our fiscal and monetary policy managers in Washington, they are of fundamental import to each and every citizen. Whether we like it or not our Federal Government has grown so large that the impact of its operations is felt by all of us. The problems of financing these operations are, therefore, our problems. Savings bankers, furthermore, channeling the funds of millions of small savers into useful investment outlets, have a particular interest in Treasury financing activities; in the effect of these activities on interest rates, terms of lending, and on capital markets generally, and in the opportunities offered by these activities for sound savings bank portfolio management.

World War II Financing

The present indebtedness of the United States Government — its size and structure—is the heritage of World War II financing. When the United States entered the second World War its total gross debt was under $65 billion. When the war was concluded less than four years later its debt had grown to nearly $280 billion, a more than three-fold increase and an average net gain of over $50 billion a year.

The successful waging of war depended upon the successful financing of tremendously heavy expenditures. It would have been desirable if a larger portion of this financing had come from taxes than from borrowed funds, but such a course did not appear feasible.

In any event, the war-time economy was characterized by a lack of private investments for financial institutions and of durable goods for individuals. The result was a rapid inflow of savings to financial intermediaries which in turn channeled these funds into government securities. Patriotic considerations also played a role, of course, in supporting the government's financing needs.

The nation's savings banks expanded their holdings of governments—mostly long term—from less than $4 billion to nearly $11 billion between 1941 and 1945. As a percentage of total assets, savings banks increased their government security holdings from less than one-third to nearly two-thirds during the war period. This was a larger proportion of holdings by far than for any of the other main types of financial institutions.

In terms of absolute expansion, the commercial banks, of course, played the dominant role in financing our government's wartime expenditures, providing nearly $70 billion or close to one-third of the net increase in government borrowing. The Federal Reserve Banks provided another $22 billion, in itself nearly as much as the combined volume from the three major types of thrift institutions—savings banks, life insurance companies, and savings and loan associations. The inflationary implications of this type of financing are obvious.

The Postwar Situation

In the years immediately following the war the greatest demands for financing shifted from the Federal Government to private industry. The government's indebtedness was reduced from $278 billion at the end of 1945 to less than $260 billion at the end of 1951. Since then it has again risen to close to $280 billion.

In the private sector of the economy, shortages of housing had been accumulating from years of depression and war. Expansion of corporate facilities had also been delayed. Demands for mortgage and corporate funds to finance needed capital formation were thus, unusually large. At the same time, financial institutions found themselves in an unusually liquid position, anxious to convert their large holdings of riskless, though low-yielding, government securities into investments yielding higher returns. Federal fiscal and monetary policies, moreover, coupled with liberal mortgage credit programs, made it possible to liquidate government security holdings readily in favor of higher yielding, government-underwritten mortgages.

The main types of financial institutions reduced their government security investments sharply in the earlier postwar years, therefore, although at varying rates of speed. The savings banks did not become net sellers of governments until 1948 and have steadily reduced their government portfolios ever since. Life insurance companies have also continued to be net sellers of government securities. Savings and loan associations, having fewer investment outlets, have been net purchasers in recent years with current holdings well above their war-end level, though still considerably below the volume held by life insurance companies or savings banks.

Savings banks have reduced their holdings of Government securities by nearly one-third since the end of World War II, while their total assets have been doubling. As a result, Governments now represent little more than one-fifth of total assets, compared with three-fifths for mortgages. Savings bank investments in corporate securities have also been increasing, but are still well below their holdings of Treasury securities.

The substantial and continued reduction by savings banks of their Government security holdings and the sharp and continued expansion of mortgage investments in the past decade raises questions about how much longer these trends may be expected to continue. Some banks consider that Governments should not be permitted to drop below 15 to 20% of assets—a rate now being approached—and that mortgage holdings should not exceed two-thirds of total assets. These considerations suggest the possibility, at least, that liquidation of Governments may soon stop or, at least, be slowed down.

In any event, because of the increasingly high percentage of savings bank assets in mortgages and long corporates, management has become increasingly interested in short and intermediate term Government securities as part of a liquidity fund. The traditional view that the interest of savings banks in the Government securities market is limited to long bonds may soon have to be modified. As Chairman of Mutual Savings Banks' National Association Committee on Government Securities and the Public Debt, I had the opportunity of pointing out this development to the Secretary of the Treasury and his senior staff recently in connection with the last Treasury refinancing.

The Committee's Activities

The Committee on Government Securities and the Public Debt was established by the National Association in the early 1940's to represent The Mutual Savings Bank industry in connection with U. S. Treasury financing problems. Ever since then, the Committee has met on invitation of the Treasury to offer suggestions on the nature and terms of proposed security issues and to indicate the support that might be expected from the savings banks.

During the war years, of course, our industry represented a substantial source of buying power and in fact acquired over $7 billion of Government securities from 1941 through 1945. Most of these purchases were of the Victory Loan issues bearing a 2¼% coupon and scheduled to mature or be called between 1962 and 1972. The Treasury still has $28½ billion of these issues outstanding. During the general decline in bond prices in 1957, these issues sold down to the low 80's. They recovered broadly in the early months of this year and following the recent unsettlement in Government bond markets have declined again to around 90.

The fact that savings banks have been net sellers of Government securities in the past decade has not lessened the willingness of the Treasury Department to seek our counsel, through the Committee on Government Securities and the Public Debt. As a result, the existence of this committee, in my humble judgment, provides one of the most important services to the savings bank membership. Whether or not we are large investors in Government securities, we are directly influenced in our investment policies, by the impact of Treasury debt management activities on mortgage and corporate securities markets. Moreover, the committee provides not only an opportunity to represent the interests of savings banks in connection with a particular Treasury financing operation, but also to express views in the highest councils of government on broad questions of fiscal and monetary policy, so basic to the fight against inflation and to the nation's sound economic growth.

Because the committee on Government Securities and the Public Debt assumes so important a role in the affairs of the savings banking industry, I thought it would be of interest to describe the procedure under which the Committee operates in discharging its main responsibility, that of consulting with the Treasury Department.

Describes Consultations With Treasury

Considerable preparation on the part of committee members and association staff is essential prior to each Washington meeting. The staff obtains the views on the status of the government securities market from a selected group of recognized experts, not only from among the savings banks, but also from the ranks of security dealers, commercial banks, economists, and financial consultants. An appraisal of the general economic situation and outlook is a key element in formulating recommendations to the Treasury Department. We are in favor of those policies which will contribute most to economic stability and growth.

On the basis of all the information available the association's research staff prepares a report on the nature of the Treasury's current financing problems and longer term financing needs, the status of the capital market, and the position of mutual savings banks in the government securities and capital markets. An historical record of the committee's suggestions to the Treasury compared with actual offerings and the results of such offerings is also maintained by the research staff. In addition an historical fact book on Treasury financing is being prepared.

Regular background memoranda, based on all of this information are sent to each committee member well in advance of the Treasury meeting date. These memoranda are studied carefully and have become almost essential as a basis for formulation of committee views. In addition, committee members generally keep well informed on current conditions in financial markets, particularly at the time of an upcoming Treasury financing.

The Treasury meetings usually follow an established pattern consisting of four main steps:

(1) A senior Treasury staff member presents an economic chart show on the nature and

Continued on page 47

*An address by Mr. Freese before the New Hampshire Association of Savings Banks, Sugar Hill, N. H., Sept. 20, 1958.

Outlook for 1959 Machinery And Equipment Sales

By A. S. BURGOYNE*
Vice-President, Manufacturing
E. W. Bliss Company, Canton, Ohio

After reviewing past and present market changes in machinery and equipment sales, Mr. Burgoyne makes a diagnosis of a replacement market at a rising rate in 1959 for capital goods industry and finds a great deal of encouragement in the long range outlook. Author anticipates construction equipment and tractors will be the first to improve, followed by material handling and other specialty equipment, ahead of general purpose machinery. He projects 1958 orders about 15% below 1957; 1959 orders about 8% below 1957, and 1960 almost 10-15% above 1957.

An air of optimism is beginning to overshadow the pessimism that has prevailed in the capital goods field for the last year. This feeling snowed up in the business statistics of the second quarter when new machinery orders rose 7% above the first quarter level to within only 4% of shipments. This confirmed the last government survey of capital expenditure plans that showed the decline in this area has slowed down to a significant degree. However, to sustain this slight recovery the sale of capital goods must continue at this improved rate. Many economists and research men still feel that industry has such an excess of capital goods that any major buying will be curtailed for another year or more.

A. S. Burgoyne

Fortune calls the capital goods market the "master key to the performance of the whole United States' economy." Capital goods, of which machinery and equipment make up the great majority, are bought to produce other goods and services and not for their own consumption. Besides being an influence on all markets, capital goods make up a large market in themselves. In 1957 they accounted for an all time high (in peacetime) of $49 billion or over 11% of the Gross National Product. Thirty billion dollars of this figure was spent on machinery and equipment. By machinery and equipment we mean electrical equipment such as motors, generators and controls, and non-electrical equipment such as engines, farm and construction equipment, and machine tools. In other words, machinery and equipment includes almost anything needed by industry to produce a finished product outside of the plant buildings.

The machinery and equipment market is very cyclical in its nature for it seems that expansion is never done in a small way. When one company in an industry expands, everyone else jumps on the bandwagon to protect its market position. A very good example of this occurred in the press industry in 1955. All the automotive companies expanded their stamping facilities for the eight million car market at the same time and accounted for about 70% of our press business.

Capital goods buyers expanded the physical volume of capital expenditures 22% from 1954 to 1956 and held the volume steady until the middle of 1957. After this boom period, most businessmen expected a tapering off period but no one was quite ready for the severe decline that actually occurred. In the last year spending has been cut 15% while GNP has dropped only 6%. Manufacturers have led the field with cutbacks of over 25% and surprisingly enough these cuts have prevailed in the large corporations where depreciation charges have not even been invested in new equipment.

Since manufacturers constitute their market, the machine tool builders have been especially hard hit. In 1955 press industry sales were over $250 million. Sales dropped to $106 million in 1956 and the industry will be lucky if it reaches $30 million this year. This same situation has been prevalent throughout the machine tool industry and companies with record sales and earnings in 1956 and 1957 were down 79% in sales for the corresponding 1958 period.

The major reason the bottom fell out of the machinery market was that productive capacity outran demand. Business expanded at a rate faster than GNP rose and a gap grew between production needs and capacity. The automobile industry is a case in point. To add to the woes of machinery builders exports have dropped to the dollar level of 1938-39 period and in the meantime Europe has industrialized and price levels have risen considerably. On the other hand, machine tool imports are at their all time time. Imports for 1957 were 55% higher than the total for 1956 and 135% higher than 1955. The low European labor rate of 75c an hour could have played a small part in this changing export-import balance. Another key factor in the recession was the curtailment of government spending brought about to balance the budget. This policy has been reversed since Sputnik but the money is in development and hasn't reached the production stage as yet.

Up until now we have discussed the past and the present, but the time has come to crawl out on the limb and give our forecast of machinery and equipment sales for 1959. I think we can agree on the fact that the past growth of the machinery industry has been at a rate of about 4% per year in constant dollars. We feel the future growth rate will be a little faster, about 4.2%, due to more rapid machinery obsolescence and replacement brought about by accelerated industrial research and development plus automation.

* * *

Forecast for 1959

One of the first segments of the machinery field to pick up will be construction equipment and tractors. Now that the inventory excesses of 1957 have been adjusted it should respond to the growth of public construction projects such as the highway program. Material handling and other specialty equipment which is used to increase efficiency should also improve faster than general purpose machinery. Thus, we have estimated about a 20% increase in tractor production. Industrial and commercial equipment as well as electrical equipment should rise about 6%. Of course, a 6%-10% increase in 1959 could be very lucrative for some industries, but it would only mean a $35 million year in presses or just 15% of the 1955 period.

In total, the projected results estimate 1958 orders about 15% below 1957 levels, with 1959 (a year of *partial* recovery) orders only about 8% below 1957 levels. We feel 1960 should run about 10%-15% above 1957, but this may be a little optimistic.

Our estimate for 1959 is not very encouraging but there are a number of problems facing the machinery and equipment industry. Imports are rising and exports are falling, corporate retained profits and machinery orders are falling and this pattern should continue until the economy is back on its feet—for companies operating near the break-even point are not in the market for much machinery.

Problems of Excess Capacity

However, the major problem, as mentioned before, is excess capacity. Today production is at the level of the late '30's—only 70% of capacity. It is our contention that industry will not expand facilities unless it is working from 85%-90% of capacity. We forecast that manufacturing capacity will only increase 2%-3% over the next three years, but the rate of industrial production probably won't reach the pressure point of 85% until 1960. In fact a significant upsurge in capital goods may be delayed until 1961.

Encouraging Long Range Outlook

The long range outlook is much more encouraging. In the next decade GNP has a projected growth of 41% while the growth of the labor force is only projected at 13%. The machinery industry must provide the increase in productivity necessary to attain the forecasted growth in Gross National Product. Therefore, machinery industry sales are estimated to increase 51% from about $30 billion to $45 billion by 1967 in constant 1957 dollars.

In conclusion, the major market for the next year will be in replacement. This year over half of the money spent on capital goods will go to replace existing facilities, and replacement requirements have been rising at a rate of $1 billion a year. To insure that 1959 is a year of even partial recovery the machinery manufacturers must convince their customers of the need to replace obsolete equipment with a modern machine. Few orders will just be written—they will have to be sold.

*An address by Mr. Burgoyne before the National Industrial Conference Board's 6th Annual Marketing Conference, New York City, Sept. 19, 1958.

W. S. Gilbreath With First Boston Club

The First of Michigan Corporation, 2 Wall Street, New York City, has announced that William S. Gilbreath has joined the firm's New York office. Mr. Gilbreath will be in the Sales Department in an institutional capacity. He was formerly with Blyth & Co. Inc. and Burroughs Corporation.

Merrill Lynch Firm Considering Incorporation

Merrill Lynch, Pierce, Fenner & Smith, members of the New York Stock Exchange, is considering a change from partnership to a corporation, according to Winthrop H. Smith, directing partner. The change is contemplated as a method of making the firm's capital permanent.

From Washington Ahead of the News

By CARLISLE BARGERON

In the current issue of "Reader's Digest" there is an article by John Dos Passos on "What Union Members Write Senator McClellan." About 100,000 letters had been received by last February, the article said, and are arriving at the rate of 100 a week. All of them tell of the injustices and corruption of their local unions and the high-handed way they are run. They are pleading to be rescued.

Carlisle Bargeron

Dos Passos tells of the unions from which the letters are received. He mentions about 20. The International Teamsters is not mentioned though it does not follow that no complaints have been received from its members; the Teamsters are simply not mentioned.

Yet for more than a year Senator McClellan has confined his investigation to the Teamsters. There have only been a couple of brief diversions, one was in the instance of the operating engineers and then a slight look into the tactics of the United Automobile Workers in the Kohler strike.

The committee has shown up just about every conceivable thing that can be shown against the Teamsters. Anything else will be repetitious. The impression is given that the Teamsters are the only culprits. Once they are straightened out organized labor will be fairly clean. The committee has long ago shown the need for corrective legislation and just what it should be. That is, of course, the committee's only function.

But it is no secret in Washington that the moving spirit behind the investigation is a vendetta against Jimmy Hoffa on the part of the young Robert Kennedy, the committee counsel.

Young Kennedy bragged to his socialite friends, even made bets, that Hoffa would be convicted of the charges of bribing a lawyer-investigator to get on the committee payroll and keep Hoffa advised of the committee's plans. With the aid of a very astute lawyer Hoffa was acquitted. Young Kennedy vowed then and there to "get" him.

I submit without holding any brief for Hoffa that this is not Kennedy's function, and the almost daily parade of Hoffa for more than a year, has become tiresome. There are more than 13,000,000 members of organized labor in the country. Their grievances are entitled to a hearing.

But better still there is now available more than ample grounds upon which to pass legislation. Why isn't it done? Young Bob's brother, Senator John Kennedy, is one of the most influential members of the committee. At the last session he labored and brought forth a bill designed to protect the union members' welfare funds. It was a piece of mealy mouthed legislation, so much so that George Meany and Walter Reuther endorsed it. It applied both to the employer and the unions. This the employers resented. There has been no suggestion that the employers have been corrupt, yet here was legislation that would have opened their books to the Federal Government. They opposed the legislation through the National Association of Manufacturers and the United States Chamber of Commerce. No legislation was better than this, they contended. Furthermore, labor would have wanted to rest on this. It would be well nigh impossible to get more far reaching legislation later.

So there we stand. More than a year's study of one of the most serious situations ever brought to light and no corrective legislation. Instead, we are to continue to hear a recital of the evil-doings of Hoffa and his fellow teamsters.

If it just goes on long enough we may somehow "get" Hoffa. If not one way then another. His treasury is the envy of every parasite in the country. Every jack-leg lawyer is trying to get on his payroll. That's gold in them hills, they say. A bunch of dissidents tried legal action to prevent Hoffa from taking over the presidency of the union. A local Federal judge not wanting to go so far as to deny him, hit upon the compromise of appointing three trustees to watch over him.

No one heard what the trustees were doing until a few weeks ago when Hoffa named his own "reform" committee with fat per diem fees. The trustees, thinking this might displace them, came to life and are resisting the committee at every turn. One of these trustees turned in a bill not long ago for $225,000.

James B. Durnin Joins Ogden, Wechsler & Co.

James B. Durnin has become associated with Ogden, Wechsler & Co., 39 Broadway, New York City. Mr. Durnin who has been in Wall Street since 1929 for the last 15 years has been associated with H. D. Knox & Co. Inc.

James B. Durnin

M. H. Wright Partner In Kuhn, Loeb & Co.

Kuhn, Loeb & Co., 30 Wall St., New York City, members of the New York Stock Exchange have announced that Morris H. Wright has been admitted as a general partner, effective Sept. 30. Formerly associated with the National City Bank of Cleveland, Mr. Wright was financial Vice-President of The Weatherhead Company, Cleveland, from 1946 to 1956. He recently resigned as President of that company's two principal subsidiaries, The Protane Corporation and LPG Credit Corporation, to assume his new role with Kuhn, Loeb & Co. in New York.

Quality versus Equality

By BENJAMIN F. FAIRLESS*

President, The American Iron and Steel Institute, N. Y. City

Former U. S. Steel head forebodingly deplores what he believes is a "dangerous drift" toward mediocrity as the normal work standard. Stressing that we are involved with U. S. S. R. in "a race for quality that is probably one of the most vital in human history," Mr. Fairless demands we encourage better-than-average individual performance by all to prevent weakening the great forces of talent and imagination. He particularly blames penalties we have placed on excellence, tendency to frown on distinguished achievement, and lack of incentive rewards, and points up the harmfulness of taxes and labor unions for their barrier of outstanding performance.

More and more, we find people coming to accept the fact that they do not have to work as hard as their fathers did and some even believe their fathers had to work too hard, even if their fathers didn't believe that way at all. More and more, our raises are governed not by what we produce or merit by high achievement but by the cost of living. We want and demand more today not because we contribute more but because a comparable category of employment got more.

Benjamin F. Fairless

A Dangerous Drift

I say all this is representative of a dangerous drift. It comes at a time when we are in a race for quality that is probably one of the most vital in human history. In many respects, today parallels the ancient race for survival between Sparta and Athens. The two contending systems of our time are, in many respects, comparable to the older ones. Our free republic, founded on democratic principles, resembles that of Athens; and the dictator-run, sternly disciplined communistic society of Russia, that of Sparta.

I say it is a race for quality because in this era of science and technology, a large number of average achievements may not outweigh a few superior ones. Many military experts agree that the scales for our survival may be tipped by even one or two sensational breakthroughs in weapons. Equally vital are the large stakes in the economic and political contests.

This is not to say that the Russians are ahead and that we must desperately fire off crash programs in all directions. I never did subscribe to the national leaning on the panic button that followed "sputnik number one." All I mean is that the race is on! In most areas—nearly all—I would say we hold a lead. But the contest is not over. And, apparently, it will not be over for a long, long time.

We know that to win this race we must encourage better-than-average individual performances by everyone. If we do not, we may weaken those great forces of talent and imagination — forces that inspire the fullest range of our human skills. It is through the best use of all our human resources that we have the greatest hope of staying in front. In the long race ahead, it will probably never be safe to come in second.

Can the Best Man Win?

But, while we believe the best product should win and reap the greatest reward, our free system has within it a paradox when this idea is applied to people. On the one hand, we say, "Let the Best Man Win!" And, in general, we do believe that the winner should be rewarded no matter who he is, how he is colored or what faith he embraces. But, on the other hand, we give the runners-up who are naturally more numerous great leeway in rewriting the rules of the game.

So it boils down to an ancient question of quality versus equality. There would be very little danger if those who voted the new rules attempted only to make the game more fair. But, when the rules are changed so that excellence is penalized, when distinguished achievement is frowned on and when our outstanding and most talented individuals are frustrated by shabby rewards, then all of us who have a stake in preserving our free society must protest.

To put it bluntly, I believe the rules **have** been altered drastically. We have befouled the principle that better-than-average performance deserves a better-than-average reward. And, we have done this rule changing, I suspect, at least partly because of a confusion about the meaning of equality in a free society.

On many things about equality we are in general agreement. Most of us, I am sure, feel that all men are equally worthy of concern. We feel that the economic cripples in life deserve our sympathy and fairly-shared support. Most of all, we believe that all men should have equal opportunity and that every citizen should have equal political and civil rights — or have, as the phrase cut into the stone of our Supreme Court Building puts it, "Equal Justice Under Law."

But, as Eric Walker, President of Penn State, said recently: "We have got to be brutally frank—we're not born equal!" All men are not created equal in ability, in what moves them to do their best nor in the possible levels of achievement they may reach. I feel sure that Thomas Jefferson, in writing the famous passage in our Declaration of Independence, never meant that all men were created equal in talent and thus should be rewarded equally by society.

All Men Are Not Equal in Ability

Just as we know — from experience alone—that all men are not created equal in ability, so we should realize that native capacity alone is never a guarantee of superior performance. Many a keen mind, unhoned by a sufficient challenge or incentive, grows dull. Many a promising young starter fades before the finish when the goal is made to appear grubby to him.

In my opinion, one of the most powerful guarantees of quality performance is found in external incentives. You often hear the counter-argument that any responsible person will do his level best, not because he receives some external incentive, but because he has within him an internal "wish always to be best, and distinguished above the rest." He gets a glow from doing a job well.

I don't deny that motivation at all. While I never worked for any reason other than the necessity of making a living for myself and family, I nevertheless also feel the glow of self-satisfaction when a task is going well. The trouble with such a glow is, of course, that self-satisfaction is largely a matter of self-analysis. And I doubt very much whether all of us are adequate judges of our own performances.

To feel the inner glow from what we imagine a well-done job may very easily cause us to rest on the oars a while and thereby lose the race. For the question is not just whether we **feel** we are doing an adequate job—or even a praiseworthy job—the question is: Are we using to the maximum effect the abilities we have?

When applied to products, as I said, the question of winner and reward is answered impartially in the free market place. When it comes to people, however, we are squeamish. The many losers seem very unwilling to let the few winners enjoy too much of a reward. That wouldn't be equality; it's undemocratic, they say.

USSR Accepts Unequal Rewards

But, surely, if we recognize the existence of unequal abilities, then we should also recognize the need for unequal rewards. We should, if we expect to get quality performance. Human nature hasn't changed greatly over the course of the years and when you look at people not as they should be, but as they are, you must admit that most of us respond best to an external incentive. After all, such a reward is objective, and a far better measure of our value to our fellow men than we can appraise for ourselves.

Strangely enough, Communist Russia partly understands this factor and pays fabulous rewards (compared to the average) to their specially-talented people. That policy along with some undenied help they received from German scientists has paid them rich dividends already. In the recent reorganization plan in Russia, one of the key features is, ironically, the strengthening of monetary and other incentives available to the management of Russia's state-owned, state-controlled enterprises.

Unfortunately, in our country we seem to be going backwards rather than forward in the matter of stimulating quality performance. The individual who aspires to win—to do the best job he can—has his reward spitefully reduced by taxes. He may get a reward, all right, but he is not allowed to keep it. And, as a result of tending in this and other ways to provide for men equally, I believe we have tended to cause them to perform equally.

Redistribution of Wealth

We have done this in the name of another confusion over equality. The name for it is redistribution of wealth. Over the years, there has been nothing seemingly more simple, more disputed and more in error than the notion that the great many poor could become better off if only the few rich would, by some device, be forced to share their wealth. One device hit upon was the progressive personal income tax. It could not pretend to be a revenue source, because even today the progressive rates generate only about 7% of total Federal income. So it must have been put into effect principally to correct what a cynical Irish wit once called "a world made up of haves, have-nots, and niver-will-haves."

Today, however, with the weight of evidence bearing down on them, even some of the severest critics of unequal rewards and usually of our free enterprise system as well see their mistake. They understand that it is the increase in output in recent decades, far more than the effect of any redistribution of income, which has brought about the great material increases and well-being to the life of the average man.

I cannot see how any thoughtful, responsible person could dispute the figures which prove this point. In the period from 1900 up to 1910, employed workers received an estimated 55% of all income. By the 1930 to 1940 decade, it has increased to a 67% share of the total income, and since then it has remained comparatively stable. But the point is that 67 instead of 55% share of total income in the 1900 to 1910 period would not have been a great advance. But, on the other hand, even a 55% share of income today would represent a tremendous improvement over what workers received in 1900.

The average employed workers' share of the national income in the 1947 to 1957 decade was almost exactly the same as the 1930 to 1940 period. Thus, it must be deduced that the average working man has improved his position **mainly** because the economy is larger.

But, the history of facts and figures only bears out the evidence of a recent economic miracle we can see in the recovery of West Germany. As one of the men who did much to bring it about, Ludwig Erhard, their economic minister, summed it up by saying: "It is considerably easier to allow everyone a larger slice out of a bigger cake than to gain anything by discussing the division of a smaller cake."

Income Tax Record

So, on balance and after nearly 45 years of trial, the progressive income tax has worked neither as a particularly vital source of Federal revenue nor as an effective instrument to better the life of the average man. It has worked, however, as one of the devilish ways we degrade high accomplishment.

There are other ways we tend to discourage better-than-average performance. Professor Percy Bridgman, a Nobel Prize winner, describes one, and since he is a man of truly high accomplishment, I believe we should listen carefully. He says:

"The consistent hostility of organized labor to the man of exceptional ability is a simple matter of record. It may be that it was justified in the early days when perhaps the most important issue was to find how to suppress the exploitation of labor by the entrenched interests, but this justification has long since disappeared, and it seems to me that the historical attitude of labor toward exceptional ability cannot be continued without a deterioration in the intellectual climate of this country which might well be decisive."

In other words, we had better take another look at the rules. Do we believe now that a man who makes five times the average contribution to society should receive five times the average reward? It seems to me, the majority answer is likely to be "No."

And, because the answer is likely to be "No," Professor Bridgman believes that men of exceptional ability cannot help feeling they are getting a raw deal and are being exploited for some confused ideas about equality. The result is that productivity of quality performance diminishes and may even stop completely.

Here, I would like to explain that I do not mean merely the performance of scientists or managers or professors. The need for quality extends through the entire catalogue of human activity. For one example, we need engineers but we need also technical people prepared for tougher problems and unskilled people willing to work hard to learn new skills. A couple of years ago, the Department of Labor estimated that America would need an increase of about 43% in the number of highly-trained professional and technical workers by 1965.

Our race with Russia will not be won by a lot of average students, average scientists or average production workers. We will, however, stay in front as we stimulate top quality, high performance and hard work and provide solid encouragement for everyone to do his very best. As the winning system, ours will reap civilization's highest reward — the preservation of a free society.

In George Orwell's satire, "Animal Farm," he deflates some of the socialistic and confused ideas about equality. In that book, the animals revolt and take over a farm. At first, they set up seven commandments and the seventh is, "All Animals Are Equal." Soon, however, the pigs, who are more clever, start to run things, and, one day, the seventh commandment is changed to read: "All Animals Are Equal But Some Are More Equal Than Others."

*From a talk by Mr. Fairless before the Board of Governors of the Can Manufacturers' Institute, Inc., New York City, Sept. 15, 1958.

Porter, Noyes Inc. Formed

CORPUS CHRISTI, Tex.—Porter, Noyes Inc. has been formed with offices in the Driscoll Building to engage in a securities business. Jonathan H. Noyes and Arthur H. Porter are principals of the firm.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

James F. Fox was elected Vice-President in the public relations and advertising department of the **Chase Manhattan Bank, New York.**

* * *

Dr. Gabriel Hauge, formerly Special Assistant to the President of the United States for Economic Affairs, has been elected a Director and appointed Chairman of the Finance Committee of **Manufacturers Trust Company, New York,** it was announced on Sept. 29 by Horace C. Flanigan, Chairman of the Board.

Dr. Gabriel Hauge

In an exchange of letters with President Eisenhower in July, Dr. Hauge resigned from the White House executive staff after five years of Washington service. He will take up his new duties with Manufacturers Trust Company on Oct. 14.

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Appointment of Leod M. Goss as a Vice-President of **Manufacturers Trust Company, New York,** in its International Banking Department was announced Oct. 1 by Horace C. Flanigan, Chairman of the Board.

Mr. Goss joined the staff of Manufacturers Trust Company in 1937. He was assigned to its International Banking Department in 1945 and was appointed an Assistant Secretary in 1951. He was advanced to Assistant Vice-President in 1953, and in April, 1955, was appointed Far Eastern Representative of the bank with headquarters in Tokyo, Japan, where he is still stationed.

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The appointment of Addison B. Bingham as a Vice-President and Byron J. Moger as an Assistant Vice-President was also announced by Mr. Flanigan.

Both Mr. Bingham and Mr. Moger are assigned to the Commercial Loan Department at the bank's Empire State Office, located in the Empire State Bldg. Mr. Moger has been with the bank since 1952.

* * *

William E. Bachert, Assistant Treasurer in the Investment Department of **The Bank of New York, New York,** and Norman N. Higgins, Assistant Treasurer, Income Tax Department, have been promoted to Assistant Vice-Presidents it was announced by Albert C. Simmonds, Jr., Chairman of the Board.

Mr. Bachert joined the Bank in 1922 and Mr. Higgins in 1929.

* * *

Herbert O. Eversmann, an Executive Vice-President of the **Bank of New York,** died Sept. 26 at the age of 59. Mr. Eversmann had been in charge of all of the bank's commercial loan and credit operations. He had been with the Bank for 38 years. Mr. Eversmann started his banking career with the **Produce Exchange Bank.** He then joined the Bank of New York in 1920, was appointed credit manager in 1929, Assistant Treasurer in 1937, Assistant Vice-President in 1940 and a full Vice-President in 1945. He became Vice-President in charge of the banking division in 1955 and was appointed one of three Executive Vice-President last year.

Rowland Burnstein has been elected to the Board of **Colonial Trust Co., New York.**

* * *

THE MARINE MIDLAND TRUST CO. NEW YORK

	Sept. 30,'58 $	June 30,'58 $
Total resources	611,662,689	654,162,009
Deposits	533,424,605	576,620,352
Cash and due from banks	169,571,383	188,825,616
U. S. Govt. security holdings	125,737,573	124,588,828
Loans & discounts	268,856,216	297,899,075
Undivided profits	12,424,686	11,912,686

* * *

GRACE NATIONAL BANK OF NEW YORK

	Sept. 30,'58 $	June 30,'58 $
Total resources	208,358,084	222,341,371
Deposits	185,062,792	197,192,714
Cash and due from banks	50,769,756	58,133,281
U. S. Govt. security holdings	48,742,276	52,872,477
Loans & discounts	85,289,395	88,165,736
Undivided profits	2,354,724	2,036,086

* * *

IRVING TRUST COMPANY, NEW YORK

	Sept. 30, '58 $	June 30, '58 $
Total resources	1,841,890,351	2,069,523,134
Deposits	1,634,707,805	1,862,648,379
Cash & due from banks	411,080,919	482,534,142
U. S. Govt. security holdings	482,159,315	470,710,908
Loans & discts.	796,926,821	955,643,178
Undivid. profits	27,646,893	26,632,916

* * *

Stockholders of **The Bank of New York, New York,** at a special meeting Sept. 30 approved an increase in the bank's capital stock by 110,000 shares to a total of 270,000 shares, according to an announcement by Albert C. Simmonds, Jr., Chairman.

Of the 110,000 shares, 80,000 shares will be distributed Oct. 1, as a 50% stock dividend to stockholders of record on Sept. 22, and 30,000 shares will be offered for subscription by the stockholders in the ratio of one new share for each eight shares held, after giving effect to the stock dividend distribution. The subscription price and timing of the offering will be determined by the Board of Trustees at a later date.

The Board of Trustees plans to declare a dividend of $2.50 per share for the last quarter of 1958 on the 270,000 shares which will be outstanding on completion of the proposed offering to stockholders, Mr. Simmonds said. This is the equivalent of $10 per share on an annual basis which represents an increase of 7% over the current annual dividend rate as adjusted.

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Mary T. Lynch, Assistant Secretary of **The County Trust Company, White Plains, New York,** completed 25 years of service on Oct. 1. She is in charge of the Bank's mortgage servicing department in Tarrytown.

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Bradford Barton has been elected Treasurer and Mrs. Katherine M. Midlock, Secretary of the **Fairfield County Savings Bank, Norwalk, Conn.** Mr. Barton, who has been associated with the Bank since 1935, was formerly Secretary.

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John J. Curran, Jr., and Lester N. Kerr, Jr., have been appointed Assistant Cashiers in the Banking Department of **Mellon National Bank and Trust Company, Pittsburgh, Pa.** Frank R. Denton, Vice-Chairman of the Bank, announced.

Mr. Curran came to Mellon Bank's Wilkinsburg Office in 1956. He was assigned to the Installment Loan Division there. In February, 1958, he was transferred to the Principal Office, Central Installment Loan Division.

Mr. Kerr, came to Mellon Bank's Gateway Center Office in 1952, as Manager of the Installment Loan Department. In August 1954, he was transferred to the Central Installment Loan Division in the Principal Office. Prior to coming to Mellon Bank, Mr. Kerr was associated with the **First National Bank, Fairmont, W. Va.**

Thomas W. McFarland has been appointed Assistant Manager of the Ambridge Office and Oscar J. Rhea, Assistant Manager of the Pleasant Hills Office.

Mr. McFarland, started his banking career in 1952, at Mellon Bank's East Liberty office In June, 1953, he was transferred to the Ambridge Office, as installment loan manager.

Mr. Rhea, started his banking career in 1937 at **The Farmers Deposit National Bank of Pittsburgh.** He worked in various divisions of the Bank and joined Mellon in December 1950, when **The Farmers Bank** became an office of Mellon National Bank. In October 1954, he was transferred to the Pleasant Hills Office as head teller.

James E. Foster has been appointed Assistant Manager of the Wilkinsburg Office and Alfred A. Gwaley, Assistant Manager of the Charleroi Office.

Mr. Foster came to Mellon Bank's Kittanning Office in 1952, as Installment Loan Manager. In 1956 he was transferred to the Central Installment Loan Division of the Principal Office. In February 1958, he was made Installment Loan Manager in the bank's Wilkinsburg Office.

Mr. Gwaley started his banking career with Mellon Bank's Charleroi Office in January 1950, as Installment Loan Manager. In January 1957, he was transferred to the Donora Office to manage installment loans there.

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Richard W. Siegrist has been appointed Assistant Manager of the Butler Office of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** Frank R. Denton, Vice-Chairman of the bank, announced.

Mr. Siegrist came to Mellon Bank's Canonsburg Office in 1953, as installment loan manager. In 1955, he was transferred to the Washington Office to manage installment loans there. In January 1956, he came to the Principal Office in the Central Installment Loan Division, and in April of that year was appointed installment loan manager in the Butler Office.

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Francis P. Burns, has been elected a Director of **Provident Tradesmens Bank and Trust Company, Philadelphia, Pa**

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Thomas E. Burris has been appointed Manager of the new North Olmsted Office of **The National City Bank of Cleveland, Ohio,** President Francis H. Beam announced. The new office is scheduled to open Oct. 20.

Mr. Burris joined National City Bank in 1954 as an analyst in the Credit Department. He acted as Administrative Assistant at the University Circle Office, and in January of this year, was promoted to Assistant Manager at the Chester-40th Office.

Raymond F. Hermann, who has been acting as Manager of both the Olmsted Falls and North Olmsted Offices, will continue as Manager at the Olmsted Falls Office.

Mr. Beam also announced that Clarence May will continue as Head Teller of the North Olmsted Office at its new location.

Howard C. Hill of the Southgate Office, has been named Administrative Assistant at Chester-40th. Robert Andrews will replace him as Head Teller at National City's Southgate Office.

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By a stock dividend **Mercantile National Bank of Chicago, Ill.** increased its common capital stock from $2,200,000 to $2,500,000, effective Sept. 18. (Number of shares outstanding — 125,000 shares, par value $20).

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The common capital stock of the **American National Bank and Trust Co., Rockford, Ill.** was increased from $300,000 to $600,000 by a stock dividend and from $600,000 to $900,000 by the sale of new stock, effective Sept 18, (Number of shares outstanding—22,500 shares, par value $40).

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First National Bank in Worland, Worland, Wyo. was granted permission by the Office of Comptroller of the Currency to open a new bank. Ray F. Bower is President and R. B. Gray is Cashier. The Bank has a capital of $50,000.00 and a surplus of $670,190.04. Conversion of: **The Farmers State Bank of Worland, Wyo.,** to take effect as of the close of business on Sept. 13.

* * *

Fidelity National Bank of Twin Falls, Idaho, increased its common capital stock from $300,000 to $500,000 by a stock dividend, effective Sept. 16, (Number of shares outstanding—5,000 shares, par value $100).

* * *

Edwin E. Adams, President of **The Bank of California, N.A. San Francisco,** announced the association of John E. Miller with the managerial staff of the bank. Miller has been prominent in Sacramento banking for the past 11 years.

During the next few weeks his time will be spent between the Head Office of The Bank of California, N.A. and in Sacramento where plans are progressing for the establishment of a local office. Approval for the opening of the new office has been received from the Comptroller of the Currency, Washington, D. C.

Miller's banking career began in 1936. He was with **The Chase National Bank in New York** until 1941.

* * *

Brice Anderson, former Assistant New York agent of the **Royal Bank of Canada,** died Sept. 28. His age was 68. Mr. Anderson joined the Bank in 1907 and had worked in its Montreal headquarters before coming to the New York office in 1918.

H. W. Jacobsen With Cruttenden, Podesta

CHICAGO, Ill.—Harold W. Jacobsen, formerly President of Horder's, Inc., Chicago, has become associated with Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges, in its new business development department, Robert A. Podesta, managing partner, has announced.

Harold W. Jacobsen

Mr. Jacobsen was President of Horder's and its subsidiary, Associated Stationers Supply Company, from 1953 to 1958. Prior to that time, he was Executive Vice-President of United-Whelan. He is also a past President of the Wholesale Stationers Association.

Form Employees Corp.

(Special to The Financial Chronicle)

DENVER, Colo. — Employees Corporation has been formed with offices at 3485 West Hoye Place to engage in a securities business. Officers are V. C. Deffenbaugh, President; Dean Campbell, Vice-President; and Dorriss D. Deffenbaugh, Secretary-Treasurer.

A. W. May to Attend World Bank and Fund Meetings in India

The *Chronicle's* Executive Editor and well known columnist, lecturer and author, A. Wilfred May, will attend the 1958 Annual Meetings of the Boards of Governors of the International Monetary Fund, the International Bank for Reconstruction and Development and the International Finance Corporation, to be held at the Vigyan Bhavan Palace in New Delhi, India during the week of Oct. 6-10, 1958.

A. Wilfred May

J. Van Houtte, Minister of Finance of Belgium, is Chairman of the Boards of Governors of the Bank and IFC. Hubert Ansiaux, Governor of the Banque Nationale de Belgique, is Chairman of the Fund's Board.

Among the significant events Mr. May will cover are: Van Houtte's address to the Boards of Governors at the opening session. Following the joint meeting, Per Jacobson, Managing Director of the International Monetary Fund, will make his annual address and present the Fund's Annual Report to the Fund's Board of Governors. Discussion of the Report will take place the next day.

On Oct. 7, Eugene R. Black, President of the International Bank, will make his annual address and present the Bank's Annual Report to the Bank's Board of Governors. Discussion of the Bank's Report will take place on Thursday, Oct. 9. On Oct. 8, Robert L. Garner, President of the international Finance Corporation, will make his annual address and present the Corporation's Annual Report to IFC's Board of Governors, Discussion of IFC's Report will follow.

Edgar Kaiser to Serve As Chairman

In the afternoon, IFC will hold an informal panel discussion on "Private Enterprise in Economic Growth." The Chairman will be Edgar Kaiser, President of Kaiser Industries Corporation of Oakland, Calif., and the principal speakers will be Gunter Henle, Partner and General Manager of Kloeckner & Co. of Duisburg, Germany; Vicente Ribeiro, President of D.L.R. Plasticos do Brasil, S. A. of Sao Paulo, Brazil; J. L. S. Steel, Director, Imperial Chemical Industries Limited of London, England; and Neville Ness Wadia, Chairman, Bombay Dyeing and Manufacturing Company, Ltd. of Bombay, India.

During the course of the meetings, the Fund and Bank will hold their regular biennial elections of Executive Directors.

The closing session of the Fund and Bank Boards is scheduled for Friday morning, Oct. 10. Mr. May will attend all sessions except committee meetings which are not open either to the press or to the public.

Joins Goodbody

(Special to The Financial Chronicle)

MIAMI, Fla.—Henry R. Bracken II is now with Goodbody & Co., 14 Northeast First Avenue. He was formerly with Fahnestock & Co.

William T. Kirk

William Thompson Kirk, a member of the New York Stock Exchange, passed away Sept. 22 at the age of 63 following a brief illness.

Confidence—A Vaccine Against Recession Fever

By CHARLES G. MORTIMER*
President, General Foods Corporation and
Co-Chairman, Industries Advisory Committee
The Advertising Council

Head of General Foods refers to recent Advertising Council's anti-recession drive as a real break-through in the cushioning of possible future recessions. After describing the extent and success of the drive, started last spring Mr. Mortimer suggests this "opens up whole new vistas regarding the important relationship between the public state of mind and our economic ups and downs." Refers to appraisals made by others of the "confidence campaign" and notes it has been given more enthusiastic support by business and advertising media than any other Advertising Council peace-time drive.

Since the Advertising Council's "Confidence in a Growing America" campaign was launched five months ago based on the theme that "Recessions begin and end in the minds of men," we know these things have occurred:


Charles G. Mortimer

Requests have been received for 5,359 individual advertising mats from the 1,700 daily and 4,700 weekly newspapers to which they were offered. Their readers—numbering in the many millions—were thus provided with pertinent facts about the economic vitality of our country. Car cards —57,000 of them — have been posted in approximately half of all the public vehicles in the United States. Some 5,000 24-sheet posters are estimated to have produced over a billion advertising impressions.

There have been nearly a hundred million home impressions from the 133 messages broadcast on 29 network radio shows. And close to one and a half billion home impressions have been obtained from 218 messages carried on 103 network commercial television shows. These figures do not include the enormous coverage through messages donated by local television and radio stations.

Full-page advertisements were scheduled by 76 magazines with a combined circulation of 65 million. Industrial publications scheduled 387 full-page ads and trade papers ran 293 full-page ads.

So much for statistics, which, by the way, are for only the first four months of the drive. These, as I said, do not begin to tell the story. The efforts of advertisers —both in cooperation with media and made independently—play a major role in the Confidence campaign, as they do in all public service drives. For instance, some of the Confidence messages included in the television and radio statistics I have mentioned were delivered in person by heads of America's leading corporations. There were many other imaginative company efforts through their own advertising.

The over-all public relations campaign was an important adjunct to the advertising messages. Information was disseminated to stockholders, sales forces, and other employees. Over 300,000 basic booklets, "Your Great Future in a Growing America," were sent out upon requests received in response to all the advertisements which offered them.

Some 150 business firms contributed $255,000 to the campaign fund as a result of one meeting asking for such support. Out of this "seed money," to cover out-of-pocket expenses of the Confidence campaign, there has been generated advertising of a value of nearly $20,000,000. That's a ratio of something like 100 for one.

But the really important fact, of course, is that the recession is receding. Economists differ as to just how soon we will again achieve 1957's high point, but the economic indicators are once again pointing upward. And that's the direction the Confidence campaign underscored every step of the way. There can be no doubt we are indeed on the way to the greater America which the campaign insists is in the making.

Refers to U. S. Treasurer's Reaction

I'm sure you will be interested in the reaction of Robert Anderson, Secretary of the Treasury. I would like to cite a recent statement he issued:

"Certainly most observers now seem agreed that there is a much better state of affairs in the nation's economy than was the case a few short months ago," said Anderson. "It is difficult to say precisely what factors are responsible for activity in anything as large and complex as our economy, but I personally feel that The Advertising Council's 'Confidence in a Growing America' campaign was certainly a very important factor. It realistically impressed upon the American people the reasons for continuing to have justified confidence in the basic soundness of our economy.

"I am sure that most Americans have either seen or heard many evidences of the campaign, which was the largest and most concentrated ever staged by The Council in peacetime. Many people have commented favorably to me upon its presentation, as well as its impact.

"Most important to me is the fact that the campaign has helped let the economy prove again that it has great basic resilience, inasmuch as the better turn has come about without the heavy intervention by government which was urged by some in the early months of this year. By helping the American people remain confident about the ability of our economy to right itself. The Advertising Council's campaign has been, and continues to be, most important. I wish it continued success."

Stresses Non-Government Aspect

The point Secretary Anderson makes about the small amount of government intervention in the 1958 recession is one I hope critics of advertising will remember. The Confidence campaign was a *public* service performed by *private* enterprise. As you know, the critics of advertising, who do not understand its role as the element which triggers the factors combining to maintain our economy of abundance, frequently criticize advertising for what they call "irresponsibility."

The current Confidence campaign should do much to offset that kind of talk. When the recession was gaining momentum and feeding on the bad news which was so plentiful, advertising assumed the responsibility of raising the only voice that was heard to convince Americans to look up and ahead. It was this advertising undertaking—to impart understanding through The Advertising Council campaign — that focussed national attention on the relationship between public attitudes and psychology and the economic swings which must always be part of our economy, if that economy is to remain free and is to function with a minimum of government intervention.

It is gratifying that advertising's appraisal of the economy's ability to right itself was more realistic than that of those who strongly demanded both tax cuts and public works to correct our reverses last Spring. In the face of mounting defense needs, with a high budget deficit generating pressures toward more inflation, we can be thankful we are not confronted by the even higher deficit and the still greater inflationary pressures which arbitrary tax reductions and more extensive public works surely would have created as our economy turns upward.

Happily, advertising recognized fear as the nation's principal foe and chose understanding as the best medicine against recession fever. It presented fundamental facts about the future of our economy. When those facts were understood, the uncertainties of fear were overcome.

Thoughtful Appraisals From Others

In addition to the statement from Secretary Anderson, The Council has received many other thoughtful appraisals of the Confidence campaign and its impact on peoples' thinking. These are from economists, business and financial leaders, and other concerned citizens.

These statements make it clear that the campaign made a major contribution at a critical point in our national life, a time when not only our economic, but our social and political systems were challenged. Like preceding public service campaigns, in peace as well as in war, the Confidence campaign has proved that advertising can be used to sell ideas in the same way it sells goods and services.

Our experience from this campaign, added to what we learned in 1954, when The Council conducted a similar anti-recession drive, opens whole new vistas regarding the important relationship between the public state of mind and our economic ups and downs.

Lessons Learned

Perhaps we should make known to all Americans what we have learned: That recessions are *not* acts of God; that we do *not* have to take them lying down; that they do *not* have to run a full course, like epidemics and plagues.

This new appreciation of the importance of the state of mind in time of economic stress marks a real breakthrough in the cushioning of possible future recessions. The psychological-informational campaign of The Advertising Council can be viewed as a vaccine of public confidence which we have discovered to take the terror out of recessions. This experience indicates we no longer need to panic if we are faced by another similar situation in our national economy. At the very least, like a scientific experiment, it opens up new avenues which invite and challenge further exploration.

While the focal point throughout the recession has been the national economy, it is well to remember that what we really are talking about is the individual economic well-being of all our citizens. *Personal* incomes are

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*An address by Mr. Mortimer before the Second Annual Hearst Magazines Lunch, New York City, Sept. 17, 1958.

Investment Bankers Association Receives Slate for 1959

The Investment Bankers Association of America has received the following slate of officers for 1959, to be voted upon at the annual convention Nov. 30-Dec. 5 at the Americana Hotel, Miami Beach:


William D. Kerr


William M. Adams


Warren H. Crowell


Edward Glassmeyer


W. Carroll Mead


A. L. Wadsworth

President: William D. Kerr, Bacon, Whipple & Co., Chicago.

Vice-Presidents: William M. Adams, Braun, Bosworth & Co., Detroit; Warren H. Crowell, Crowell, Weedon & Co., Los Angeles; Edward Glassmeyer, Blyth & Co., Inc., New York City; W. Carroll Mead, Mead, Miller & Co., Baltimore; and Arthur L. Wadsworth, Dillon Read & Co., New York.

Textor, Murphy Co-Chairmen of N. Y. March of Dimes

George C. Textor, President of the Marine Midland Trust Company of New York, and George A. Murphy, President of Irving Trust Company, were named Co-Chairmen of the 1959 New York March of Dimes, it was announced by Roy W. Moore, Sr., General Chairman.

As Co-Chairman, the Messrs. Textor and Murphy will assist in the coordination of campaign activities and help to enlist the support of business, industrial, labor, professional and civic leaders.

In announcing the appointments, Mr. Moore stressed the need for public support of the March of Dimes' expanded 1959 campaign, which has been broadened to cover virus diseases arthritis, and birth defects, in addition to maintenance of the winning fight against polio.

Four other Co-Chairmen were named by Mr. Moore. They are: Thomas C. Fogarty, President, Continental Can Company, Inc.; Sylvan Gotshal, Partner, Weil, Gotshal & Manges; Gerald M. Loeb, Partner, E. F. Hutton & Company; and Donald C. Power, President, General Telephone Corporation.

Champion Heads Drive For YWCA in N. Y.

George Champion, President of The Chase Manhattan Bank, New York, will head the Business Men's Committee for the coming annual campaign of the YWCA of the City of New York. Mr. Champion's division, composed of top management personnel in business and industry, will raise $93,000 of the total $350,000 goal set by the City YWCA.

THE MARKET . . . AND YOU

By WALLACE STREETE

Whatever lingering doubts there might have been over the ability of industrials to soar into uncharted territory decisively were definitely ended by the stock market this week when the senior average reached a level about a dozen points above the record high of 1956.

* * *

Where earlier thrusts had brought in profit-taking and an expansion of volume, the story was a bit reversed this week when the second session during which four million or more shares changed hands so far this year was one of general strength, even including some life in the oil section which has been largely neglected of late.

Our Extraordinary September

The entire month of September, as a matter of fact, was a bit out of the ordinary. It usually is a month of caution, occasional setbacks and, at best, a pause to reappraise the business situation. But the industrial average during that month this year tacked on nearly two dozen points, the rails around a dozen. If it hadn't been for slightly better gains in the July exuberance, the September results might have projected that particular period to the best work of the year, which is an unusual role.

Selective Profit-Taking

Some profit-taking was appearing on each new upthrust but, like the demand, it was somewhat selective and made the going tough for an occasional issue, but without denting the overall progress very noticeably.

* * *

The two imponderables are where the averages will top out and when a sizable correction, long overdue, will show up. The optimists were back in action with predictions of readings above 600 in the industrial average. The more cautious of the market technicians, aware that the market has gone a long way and outrun the business recovery, were willing to settle for something around 550. Chart work is rather deficient at the moment, since much of it is based on previous actions of the average at various peak levels and there is no basis of comparison now that it is in an area never before traversed.

Impact of the Funds

What was being watched rather closely were the actions of the mutual funds which have had such a large part with their persistent buying in carrying the market to its present levels; and also signs of widespread covering in the large, short positions in key stocks.

* * *

The funds, while starting to show a bit more caution than they have in some time, still seem to be culling the list for the more promising candidates and adding to previous holdings that haven't already gotten into the wild runup act. Some of these additions to holdings have been going on for as many as four, five and six quarters in a row which covers quite a span of market seesaws.

* * *

Outboard Marine was one that showed signs of having achieved all its followers in the funds expected. Earlier in the year one large closed-end fund cleaned out its entire holdings running to six figures, and another is in with a later report that shows the same issue completely cleaned out of its holdings.

An Interesting Office Equipment

Office equipment shares still seemed to be in demand with some churning between the various items in the group. The low-priced item in this field, as well as an unknown factor since it is still digesting a recent merger, is Smith-Corona Marchant which is a consolidation of the old Smith-Corona and Marchant Calculators. The merger was completed at the end of June which is also beginning of the company's fiscal year. On a pro-forma basis the five-year earnings average prior to this was around $1.83 and, with a market tag of less than 10 times this figure, it is definitely not overvalued in relation to the times-earnings ratios on some of the higher-priced office machine shares. The indicated dividend of $1, moreover, offers a return of around 5% which also is a superior offering in a group so noted for growth that the miniscule dividend yield is seldom mentioned.

* * *

Paper shares were another rather neglected group that came into a bit of play this week. Their business held up rather well through the recession but a profit-pinch developed when they weren't able to pass on increased costs quickly so their first half showing was rather poor. With the general economy headed upward the decline would seem to be reversed and the normal leverage could result in an even sharper improvement in earnings. The recent prices of the shares seem to have discounted much of the improvement, particularly for the better-known producers. Minnesota & Ontario Paper, however, which has had Big Board listing for less than four years, was available at a 5% yield lately to give it an above-average return in its group.

* * *

The well-depressed item with a good chance for improvement is American Standard, the recently adopted nickname of American Radiator & Standard Sanitary Corp. Marketwise the stock was available cheaper early this year than it was in 1932 at the bottom of the depression. The reasons aren't hard to find since the dividend was reduced twice in the last two years and hasn't come anywhere near being what it was 10 years ago.

* * *

But the building industry is showing a good rebound and with the leverage inherent in American Standard a return to the $1 rate in effect before it was slashed to 40 cents early this year could follow any dramatic change in the company's earnings picture. And if such a return was made, the yield on the present price would be distinctly above average, running around 7½%, against the present 3%. When such an increase could be posted is, of course, problematical although some sources see it as a fair prospect for next year. To which should be added that the well-depressed price means far less risk than some issues that already seem to be discounting good prospects of a decade or so in the future.

Romance Issue

The issue that is rather hard to classify but still spans the "romantic" fields of business computing machines, electronics and missile guidance and control systems, yet has had a rather mundane market life, is Sperry Rand which is only starting its fourth year as a merged operation after the old Sperry Corp. and Remington Rand joined forces. The 4% yield available at recent levels is also in distinct contrast to the negligible return offered by the popular issues in any of these romance fields. Sperry's fortunes have been weighed down by several factors, including a continuing drag on earnings from its Univac which would seem to be about to run out. The recession hurt it in some areas and low-profit research work for the military was of little additional help. It added up to an interruption this year in its continuing growth of earnings but with bright prospects for a rebound.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

The annual report of the Federal Deposit Insurance Corp. for the calendar year 1957 has just been released, and it shows continued growth of the reserve fund that was set up in 1934, after the depositor losses due to bank closings following the 1929 financial crash. It will be recalled that at that time the Federal Government contributed enough funds to, so to speak, set the corporation up in business. These initial funds were some time ago repaid to the Treasury, and FDIC has been on its own since that return of initial funds.

Some of the statistics from the Corporation's report will not be amiss. In 1934 the deposit insurance fund stood at $333,000,000. By the end of 1957 it had increased to $1,850,500,000; and it is said that by mid-year 1958 the fund was closely crowding $2,000,000,000. The law under which FDIC operates provides that when in the judgment of its board of directors additional reserve funds are necessary, the Corporation may borrow up to $3,000,000,000 from the Treasury. Thus the Corporation could call on a total of $5,000,000,000 if conditions in the nation's banking system warranted it. We submit that any economic debacle would have to be a devastatingly severe affair to tax such a fund.

In this connection, it must be remembered that a large element of protection of the reserve fund exists by reason of the supervisory system that has been built up. First, national banks (including those in the District of Columbia) are regularly examined by the Federal Comptroller of the Currency, and the results of such examinations are of course available to FDIC. Then, all state chartered banks that are members of the Federal Reserve System are periodically examined by the Reserve, whose findings are also available to FDIC.

Therefore, FDIC needs confine its examinations to those state chartered banks that happen not to be in the reserve system, but do have membership in FDIC for the protection of their depositors' funds. These, incidentally, are now covered up to $10,000.

Originally insurance coverage had a maximum of $2,500. Then, after the Corporation had been in existence for about a year, the maximum was increased to $5,000 for any single account; and in 1950 this was increased to $10,000 per depositor. Approximately 98% of all accounts in insured banks as of the end of 1957 had balances under $10,000, and hence were fully insured. The protection is therefore widespread.

The total deposits in insured banks grew from $40,060,000,000 in 1934 to $225,507,000,000 at the end of 1957; and the insured deposits of these insured banks went from $18,075 millions to $127,055 millions in the same period. The percentage of deposits insured ran around 45% for the first five years of the Corporation's existence, dropped off to 36.5% in 1942, but then increased to its highest, 56.3% in 1957.

The build-up of the reserve fund over the years has come from two main sources. First, the annual assessment levied against each insured bank, based on the bank's deposit volume. Secondly, the income derived from the investment of the Corporation's funds. This investment is now confined to United States Government obligations. As to the assessment, it has stood at the original rate of 1/12th of 1% of deposits since organization. However, in the late 1940's there was agitation for a reduction of the rate, as the reserve fund had crossed $1,000,000,000, and it was felt among many bank members that, with the Corporation's borrowing capacity there was ample protection. So Congress acted to change the rate; but it was done somewhat indirectly.

The Corporation now credits "pro rata to the insured banks 60% of the net assessment income for the calendar year, the credit to be applied toward the payment of assessments becoming due for the semi-annual period beginning the next July 1; and any excess credit to be applied to the assessment of the following period."

For example, the net income due to the assessment in 1957 was $150,304,000 The distribution of this income was: 40%, or $60,122,000 was transferred to the deposit insurance fund; the balance was credited to the insured banks, their 60% share, subject to some expense deduction.

In 1957 FDIC had total income of $117,474,000 after provision for the credit due insured banks. Its operating expenses, including two small reserves were $9,715,000, and $107,474,000 was transferred to the reserve fund.

At the start of 1957 the Corporation had a carry-over of six banks against which formal proceedings were pending. In 1957 one more bank was added to these. All but one of these cases were closed during 1957.

A half-hearted effort at a further reduction of the net assessment has been made, but the Corporation officials have spoken out against it. It is improbable that any change will be made so far ahead as we can see.

Wm. G. Carrington III With Vilas & Hickey

William G. Carrington III has become associated with the municipal bond brokerage department of Vilas & Hickey, 26 Broadway, New York City, members of the New York Stock Exchange.

Col. J. E. Totten Opens

ARLINGTON, Va.—Col. James E. Totten is engaging in a securities business from offices at 4612 North 37th Street.

Not Complacency But Truly Sustainable Growth

By JOSEPH C. WELMAN*

Retiring President of the American Bankers Association and
President of the Bank of Kennett, Kennett, Mo.

Outgoing ABA President expresses disappointment over Congress' failure to enact the Financial Institutions Act; praises the extensive educational and service activities of the Association; and in referring to drastically changed world conditions discusses such problems as money cost of the space age, fiscal unsoundness and inflation and their implications for banking. Bankers are told that we must keep our productive system operating efficiently so that we can bear the cost of national security while providing growing job opportunities and higher standard of living, and that we must develop better public understanding of our economy.

The past two years have been crammed with interest and challenge for a country banker. It has been the greatest privilege of my life to have served during these years — first as Vice-President and then as President — an organization so rich in history and tradition, so varied in operation, and so important to its membership as the American Bankers Association.

Joseph C. Welman

I am indeed grateful for the confidence placed in me, and I regard the recognition extended as having more than just personal significance. It is a tribute to the democratic quality of the American banking system that it cast its lot with a small-town country banker. To me, this symbolizes the vitality of this Association—the ability of banks and bankers with varied interests and problems to work together for a more useful and effective banking system.

So, as my term of office comes to a close, may I extend my thanks to the member banks — large and small—that have made this a memorable and satisfying period in my life. You have been gracious and hospitable. You have been patient and tolerant. I am deeply indebted to you. I would be ungrateful if I did not also publicly express my appreciation and acknowledge my indebtedness to my own bank, my associates, my family, and my community for their sympathetic and understanding attitude during the past two years.

The problems, requirements, and demands of the past year have often strained and sometimes exceeded my ability and capacity. It is indeed fortunate for me, for you, and for our Association, that so many big men—big men in big banks and big men in little banks, and they exist in surprising and gratifying numbers in both types of institutions—have been willing to lend a hand and put their shoulders to the wheel when called upon. The difficulties, disappointments, discouragements, and failures are far overshadowed by the satisfaction and thrill in the ready response and accomplishments of the many individuals, committees, commissions, sections, divisions, departments, and other groups. The blending of staff and banker efforts in a quiet, pleasant, tireless, and efficient manner has been marvelous. For all of that I am duly thankful.

It obviously would be impossible to cover in detail much of the work of the divisions, sections, councils, committees, and other units of the Association during the past year. The specialized programs have moved forward through the teamwork of spirited bankers and the staff. There have been some disappointments, but they have been counterbalanced by the realization of other goals.

Financial Institutions Act

Foremost among our disappointments is that the Congress did not complete action on the Financial Institutions Act, legislation designed to make the banking system more useful to the country. This was an extremely busy Congress. It was preoccupied with the problems of recession, the international situation, and considerations of an election year. There was not enough time to overcome the opposition of a few determined men who were in a position to delay completion of action on the bill. In my opinion, we can take considerable comfort in what I firmly believe is the sympathetic approval of our efforts by a substantial and growing number of the nation's legislators. We can and should recognize and accept failures and disappointments without in any way permitting our discouragement to cause us to lessen future efforts. Rather, we should renew our interest and redouble our activities in support of all proposals for the good of banking and in the public interest.

In my travels covering thousands of miles during the past two years, it has been my privilege to visit with many, many bankers. It has been gratifying to see how the varied facilities of the Association as an educational and service organization are filling the needs of the membership.

The recent additions to the staff and plans for the future will make the Association more effective and responsible to membership needs. A dynamic organization such as ours changes with the times to meet the requirements of new functions. Most of the active groups in the Association have existed during only a short span of its long history. We shall find it necessary constantly to reevaluate our work as new developments create new problems and opportunities.

Praises Educational Program

Let me cite an example. For three-fifths of a century, the Association has been engaged in a process of formal education for bank employees through the American Institute of Banking. Over the years, the Institute has made an enviable record; and it is a wonderful organization doing a marvelous job. Through the vision of Hal Stonier, it was augmented 23 years ago by The Graduate School of Banking, which since has been an inspiration for other schools all over the country; it is indeed an outstanding institution. Yet, we recognize that today the educational horizons of banking still have hardly been explored. Ours is no longer merely a problem of educating bankers. It is one of improving the relations of banking with educators all over the country, so that mutual good can come from better understanding of each other's activities, problems, and attitudes. We must tell the story of American banking plainly and simply to those who are bringing on the younger generations, and this means being closer to the centers of learning. So I foresee a real opportunity ahead for this Association to serve in a field of activity just now getting under way.

It is a thought-provoking experience to review the history of just a year or two. Only then can one really appreciate how rapidly this world of ours is moving, and how complex are the problems confronting the banking system and organizations such as the American Bankers Association.

There prevails in most parts of the world today a regrettable atmosphere of more than usual and more than justified restlessness, dissatisfaction, criticism, and irritation. There is a marked lack of calmness, restraint, and patience. This condition exists in governments, businesses, industries, labor organizations, and many other groups. Trade associations, including our own, have not escaped it.

Less than two decades ago, we Americans thought that we were comfortably isolated behind two oceans. World War II and its aftermath erased that myth and gave us global horizons. Today we find ourselves exploring the third dimension of space, with man seeking to penetrate farther and farther beyond the surface of the earth and its atmosphere. A year ago, the prospect of such a development was fiction and fantasy to the average citizen. Today it is sobering reality.

This is just one of the phenomena that symbolize our modern scientific age. Like the dawn of the atomic age that preceded it, the penetration of the third dimension poses new problems for our political institutions and the economic institutions serving them.

I would like to discuss briefly some of those problems and their implications for banking.

As one reflects upon this, he is again impressed by the fact that our unique banking system is a dynamic force in our growing country—a force that is translated to all levels of economic life by a common denominator called "money."

Scientific advances are coming so fast these days that it is hazardous to predict how soon the first man will reach the moon. Of one thing we can be sure: when he arrives, he will be unable to spend any money. But the cost of getting him there and bringing him back will be staggering. The "common denominator" will be very much in demand.

Space Age's Money-Cost

I believe, therefore, that it is a matter of great importance to bankers that the America people have not yet fully grasped the meaning of the space age in terms of its money-cost, and the impact of that cost upon the whole economy. A clearer understanding of the implications of missile development and space travel for the position of the United States Treasury is much the order of the day; and I believe that we, as bankers, have a grave responsibility toward helping to develop such an understanding. I say this because the effectiveness of our efforts toward better service in banking policies and operations will be diminished if the common denominator of our business — "money"—steadily loses its worth as a result of failure of our people to comprehend the effect of governmental fiscal operations on the value of the dollar.

The past year has been confusing. The crosscurrents of economic activity have been churned into a whirlpool, making it difficult to discern the underlying tides. We have been fighting inflation and recession on different fronts, and major decisions of economic policy have been evolved on a seesaw. This situation is reflected in widely divergent attitudes toward fiscal affairs.

Partisans and demagogues have been more concerned about making "political hay" than seeking the truth regarding fiscal needs for the very survival of our nation. We have observed attacks on the budget-makers for failure to achieve a balance between expenditures and revenues, while others have urged larger budget deficits. Criticism of heavy defense expenditures has been voiced in the same breath with charges that we have failed to match Soviet efforts on all fronts. Expenditures abroad have been attacked as wasteful at the same time that complaints are made that we have not done enough to win and keep friends in the battle against World Communism. The questioning of our scientific supremacy by the launching of the Sputniks has drawn fire from those who feel that our educational facilities are deficient, yet there is little inclination for many of the critics to bear the cost of the education so urgently needed. The recession has provided an excuse to open the floodgates to a wave of spending programs, while pressures for tax cuts have had to be hurled back by leaders of both parties who have been guided more by the national welfare than the illusion of vote-appeal.

Tolerating Inflation

It is hard to believe that there is broad national agreement in our goals of national security, economic stability, and growth, while selfish groups constantly ... programs and policies which may endanger that security and stability, and may stifle our country's growth. No responsible group in the nation is openly tolerant of inflation, but it is alarming that

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*An address by Mr. Welman marking the completion of his tenure as President of American Bankers Association at its 84th Annual Convention, Chicago, Ill., Sept. 23, 1958.

Common Stocks and Inflation

By PAUL I. WREN*

Vice-President of the Old Colony Trust Company, Boston, Mass.

Mr. Wren prefaces his remarks about the dilemma confronting trustees at this time in determining proper investment ratio of stocks to bonds with discouraging views about our ability to control inflation and to lengthen successfully the Federal debt. The Boston banker is not unaware that even if inflation were inevitable (which he does not assume) that trustees still might have to face the problem of what price to pay for stocks of sound firms. Looking at the stock barometer, Mr. Wren adopts a "wait and see attitude before plunging into the stock market at this time," and does not fail to note the presently attractive position of municipal bonds and non-refundable corporate bonds.

As we look back to the early part of the last decade, common stocks now appear to have been so attractive. The price-earnings ratios were low; the yield was more than that available on bonds, and dividends were earned by comfortable margins. Yet as I recall, the soundness of a program of purchasing common stocks was questioned seriously in some quarters. Uncertainties were present at every turn.

Paul I. Wren

Today we are still faced with uncertainties, with some of an international flavor mixed with the domestic brand. Price-earnings ratios are higher, rates of return are lower, and high-grade bonds look more attractive than stocks for many accounts. Those of us who were present when the bargains (looked at from hindsight) were available are in a dilemma. One of the definitions of this word is "a situation involving choice between equally unsatisfactory alternatives." What better description is there for the position of a trustee having cash to invest at this moment?

I shall try to consider the problem from several points-of-view. As the budget prospects for fiscal year ended June 30, 1959, have been developed in more detail by government officials in the past few months, the specter of inflation has come to the front of every discussion of the economic outlook. When the Director of the Bureau of the Budget (before a House Committee) "thought" that Federal Government spending of $400 billion over a period of five fiscal years "is a strong possibility," the reaction in many quarters was terrific. Let us take a look at the matter of inflation.

The Matter of Inflation

Over the years, inflationary pressures, sometimes very intense and at other times more dormant, have been present in the economy. Under the free enterprise system, wages have more steadily advanced as the bargaining power of the unions strengthened. Prices were raised enough or more than enough to offset the higher wage costs. Wages increased more rapidly than productivity. In only four out of the last 25 years has the cost of living index shown a decline from the previous year. The record is rather discouraging.

The old discipline of the gold standard has been abandoned. We have substituted managed money. In 1946, the Employment Act (sometimes referred to as the Full Employment Act) declared "the policy and responsibility of the Federal Government to use all practicable means consistent with its needs and obligations and other essential considerations of national policy . . . to promote maximum employment, production, and purchasing power." Repeated attempts by some members of Congress to add "at a relatively stable level of prices" (or some similar phrase) to the last part of the statement have been unsuccessful. Money managed under this legislation and under the political conditions of this country seems to have resulted in rather persistent inflation.

The popular conception of how to control inflation points to several areas—balancing the Federal budget, selling fewer U. S. Government issues to the commercial banks, restricting the supply of money by the Federal Reserve System, relating the rise in wages to increases in productivity and limiting price increases.

The most successful one of these in the past two years has been the restrictive policy of the Federal Reserve System. During the first part of 1957, however, the chairman of the Board of Governors of the Federal Reserve System and others in the System were subjected to severe and caustic criticism. The withdrawal of money from the market is a painful process. Nevertheless, the Board held to its program until the economic climate changed. Again on Aug. 14 of this year the Board approved a somewhat unexpected increase in the discount rate at one of the Federal Reserve Banks, a step which is being followed by all the others. Apparently it hoped to wet down a little of the tinder available for the next series of inflationary fires.

Fiscal Shadow Boxing

As an example of the difficulty of controlling the expenditures of the Federal Government, I should like to trace the ups and downs in the life of the budget for the fiscal year ended June 30, 1958. In January, 1957, the Administration proposed expenditures of $71.8 billion, the first time the total crossed $70 billion in peacetime. An outcry in tremendous volume came from all parts of the country. Editorials and public opinion reaching Congress were emphatically for a reduction in expenditures. Congressional committees cut here and cut there. In August, 1957, Congress passed the final appropriation bill and went home. The House Appropriations Committee released a statement that Congress had cut the requests of the President by $4,914,355,584. The Majority Leader in the Senate estimated the total to be a little over $5.9 billion while the Chairman of the Senate Finance Committee thought the figure was around $6½ billion. In October, the Budget Bureau reviewed the programs and appropriations approved by Congress and estimated expenditures for fiscal 1958 to be $72.0 billion, an increase of $200 million over the January request.

The Russians put Sputnik I into orbit on Oct. 4, and the winds coming from the constituents changed to one which asked, "Why weren't we spending more money to protect ourselves against this new threat?" The convening of Congress in January brought forth an avalanche of bills to increase appropriations for more adequate defense and to spend our way out of the recession. The budget review submitted to Congress by the Administration in January, 1958, estimated expenditures of $72.8 billion, an increase of $1 billion over the original figure of a year earlier and $800 million over the level included in the October review. Preliminary figures show actual expenditures of $71.9 billion for fiscal 1958. The midyear review of the budget for fiscal 1959 by the Budget Bureau, issued about two weeks ago, estimates total expenditures to be $79.2 billion or $7.3 billion more than what was actually spent in the last fiscal year. Thus died, in the course of 29 months, a very vociferous demand for positive and substantial reductions in spending.

While the appropriations for defense are by far the largest in the budget, many others contribute to inflationary pressures. An important one is the agricultural price support program. In spite of the enormous crops of many commodities this year, the farm legislation has minimized the decline in prices which would have occurred through the normal operation of the law of supply and demand. Congress barely defeated a proposal to stockpile a number of key industrial materials in spite of the fact that stockpiles of these items are now several times annual consumption. Housing legislation passed in previous sessions requires Federal National Mortgage Association to purchase certain types of mortgages at par. With flexible interest rates, this price is frequently above the price determined in a free market. The list is longer, and I am citing only a few examples.

Last month, Honorable Wilbur Mills, Chairman of the House Ways and Means Committee, made a very sound comment on the problem. With some reluctance he was speaking in favor of the legislation to increase the debt limit of the U. S. Government and said: "When we are in a period such as the present, I think it is incumbent upon all of us, not only the Members of Congress but every man, woman, and child in the United States, to develop a degree of statesmanship with respect to our attitude about government spending and fiscal responsibility that we have not yet attained in the history of the United States."

Lower Marketable Debt Maturity

In another area, the Treasury must look to savings-type investors for help in reducing the amount of new money which has to be raised from sale of securities to the commercial banking system. In the past few years, their appetite has been small. Since the beginning of 1953, the Treasury has issued $47.5 billion of securities with a maturity of five years or over, either in refunding programs or for cash. Of the total, only $7.2 billion had a maturity of 20 years or more, and $1.3 billion were in the 10- to 20-year range. The average maturity of the marketable debt shortens daily by the mere passage of time. In order to maintain the average maturity as of December, 1957, the Treasury is forced to sell $4.7 billion 20-year bonds (or the equivalent) in 1958; $4.3 billion in 1959 and 1960; and $3.8 billion in 1961. Deficit financing would change the above figures simply by adding to them.

During my year at the Treasury, I found that at any time the sale of a long-term bond was being considered, some responsible person inside or outside the government could produce reasons why such a plan at that moment was not appropriate. The problem of placing Treasury issues in the hands of savers or collectors of savings is difficult at any time, and is now more so with the losses suffered by the temporary holders of the $2\frac{5}{8}$s of 1965 and the tightening of money rates. As the demand for long term capital from business expands, the Treasury will be faced again with the question of how high a coupon the taxpayer should assume.

Until the savings of the country are enlarged, or until the fiscal authorities are willing to compete aggressively for long-term capital at higher rates during periods of active business, the Treasury will have to be satisfied with the sale of only token amounts of long-term bonds in any one year. With a debt of over $280 billion, progress toward a substantial reduction in the debt maturing within one year will probably be slow.

The attempt to limit wage raises to increases in productivity seems even more difficult. With few groups taking a "statesman-like" attitude, the leaders of unions do not believe that they should lead the way. More direct appeals from leaders in government, increased unemployment, and the slow process of education may eventually lead to some successful conclusion. President Eisenhower stated at a press conference in August that "labor, management, and government must all be concerned in this problem (of inflation), and I think of all these branches, no one could be more concerned than is labor."

With the economy having passed through a recession in business with only minor price or wage reductions, high costs have not been adjusted in the old-fashioned method. Prices tend to be controlled by competitive forces when productive facilities are adequate. At the same time, business seeks, through its pricing policies, to earn a reasonable profit, after a full recovery of costs. It would seem, however, from the President's comment, just quoted, that he now considers industry less likely than labor to fan the flames of inflation.

Washington Can't Control Inflation

Some people believe that an official in Washington has the answer to all major problems. In this line of reasoning, the control of inflation can be accomplished by empowering some Federal agency to review and veto increases in prices. In 1953 the people in the country wanted to eliminate fixed controls over materials and services, and the new Administration abandoned them. I agree with President Eisenhower who said at a press conference a month ago, "I still believe the free economy is a better way to fix the price level than is government fiat."

I have spent more time discussing the areas causing inflation than I should in my brief remarks. I did so intentionally since this influence is probably the dominant motivating factor in the purchase of common stocks in the last few years.

As you may observe, I am somewhat discouraged about controlling inflation over the years. Until the people themselves really want to avoid it, their leaders — politicians, business executives, and heads of labor organizations —are not going to risk their positions. Every one is against inflation so long as the proposed remedy does not affect him.

Is inflation inevitable? I am hopeful that over a period of

*An address by Mr. Wren before the Annual Meeting of the Trust Division at the American Bankers Association's 84th Convention, Chicago, Ill., Sept. 22.

years, particularly as a larger percentage of the people are on pension, the evils of inflation will become more apparent. Before that happens, the inability of American industry to compete in foreign markets and, in some cases, domestic markets, will be a deflationary influence on the economy. Continuous inflation generates so many injurious side effects that it may well sow the seeds of its own destruction. Let us hope that leaders in this country will take appropriate actions before inflation accelerates to the galloping stage.

Inflation Not Inevitable

Even assuming (which I will not do) that inflation is inevitable, a trustee is faced with the serious question as to how much he should pay for stocks of well managed, soundly financed companies in growing industries. The protection of purchasing power of the beneficiaries of his trusts has been discussed at length over the years by experts at the Mid-Winter Trust Conference. I do not need to pursue this angle in my remarks.

The dwindling supply of common stocks of top-grade companies suitable for institutional investors has been emphasized by many students of the stock market. Unfortunately, purchases by many of the growing funds have been concentrated in relatively few common stocks. This has led to apparent premiums for these issues. A trustee with cash to invest has to appraise carefully the outlook at that time and make his own decision as to the justification of the prevailing market price. However, a couple of possible developments on a broad scale should always be taken into consideration. Corporate managements are always reluctant to dilute the shareholders' position by selling additional common stock to raise new capital for expansion. At some price, however, this hesitation will be outweighed by other considerations. Another possibility, probably more remote in view of the pending deficits in the Federal budget, is a revision of the capital gains tax so that long-term holders with tremendous gains will be more willing to sell in order to diversify their portfolios. Either one of these developments could enlarge the supply of high grade common stocks.

As I am preparing these remarks, the Dow-Jones Industrial Average has just topped its 1958 high and also the all-time high established two years ago April. The other indices of industrial stock prices are at a correspondingly high level. Are present prices justified?

Business Outlook

The business situation took a turn for the better earlier in 1958 than many expected. I am sure that all of us have been watching the many indices of business activity, profits and similar items, so that I do not need to elaborate on the subject. However, I will make a few observations.

A comparison of the trends of the Federal Reserve Index of Industrial Production during the recession, 1948-1949 and 1953-1954, with the present is interesting. Present information indicates that the low was made in April when the index dropped to 126. The recovery has been much more rapid than in the other two periods. Within a few months after the low had been recorded, the rise faded in both 1949 and 1954. Current business sentiment seems to be against a repetition of this faltering in the upward trend.

However, two developments could change the results. The first is the fact that seasonal adjustment of business indices, an extremely difficult statistical problem, could have inflated the summer figures more than was justified after the final figure for the next few months are available. The second and the more serious would be a prolonged strike in the automobile industry in the event that the current negotiations on a new labor contract are unsuccessful.

Many companies are reporting larger orders and higher sales. Some of these have conducted a program of tightening up their operating methods and cutting overhead costs. A reduced labor force may be able to produce more items than the original group. These factors, together with a probably smaller increase in labor costs in 1958 than 1957, could very easily widen the profit margin on an increasing sales volume. If the trend in sales continues, some companies could show better earnings in the second half of 1958 than in the same period of 1957. In the minds of some stock buyers, this fact justifies the present level of common stocks.

"Wait and See" Attitude

It has been said that a rapid increase in stock prices cannot develop unless higher earnings and dividends are being anticipated. Some increase appears to be in the offing. However, industrial stocks have already advanced almost 25% from the lows of last year. I find myself inclined to take a wait-and-see attitude before plunging into the stock market at this time.

Accounts which have been under our supervision for a period of time continue to hold common stocks in a substantial amount, even after two or three cutbacks in the amount held. In most of them, common stocks are still over 60% of the account valued at market. In pension and profit-sharing trusts where new money is being added with considerable regularity, some part of the increment is being used to add to equities.

In other words, I do not believe that a trustee can afford not to own some common stocks, but I find it difficult to justify increasing the proportion at this level of the market. In the meantime, municipal bonds are selling at the lowest price for many years, particularly when the after-tax return is taken into consideration. Also corporate bonds with non-refundable provisions are being offered at attractive rates.

Form Randall, Rose Firm

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Randall, Rose & Clarke, Inc. has been formed with offices at 351 East Green to engage in a securities business. Officers are Christopher H. Clarke, President; F. Douglas Rose, Vice-President; and Laurence W. Dwiggins, Treasurer.

Ruppert Investments Opens

KANSAS CITY, Mo.—Ruppert Investments, Inc. has been formed with offices at 1016 Baltimore to engage in a securities business. Officers are Thomas H. Van Hoozer, President; and Vivian Van Hoozer, Secretary-Treasurer. Mr. Van Hoozer was formerly with E. F. Hutton & Company.

An Analysis of Critical American Problems

By HERBERT V. PROCHNOW*

Vice-President, The First National Bank of Chicago, Ill.

Three magnitudinous changes and consequent problems taking place in the American economy are analyzed by Chicago banker. After examining the new role of government in the United States and the new role of the United States in World Affairs, Mr. Prochnow offers eight conclusions and raises two questions of concern to every citizen, every business, and every institution. He foresees government's role becoming larger; calls for hard work, thrift and personal sacrifice to meet cold war survival requirements; suggests international economic policy; deplores labor power and inflationary bias; and hopes we will not sacrifice freedom for economic security.

In August 1914, there was thunder on the horizon. For the next four years, the nations of the world engaged in the cooperative suicide of war.

H. V. Prochnow

Thirty-one years later in August 1945, when the terrifying clouds had lifted at Hiroshima, the world had been through two disastrous wars. There were shattered empires and bankrupt nations. There were staggering debts. There were deep weariness and sad disillusion. Millions were dead and millions wandered as destitute refugees on the highways of the world. There were desperate cries in the night as men lost their freedom in the satellite nations. There was an alarming drift to socialism and communism over the world as men and women desperately sought economic security.

Today, civilization continues in political and economic turmoil as the great nations engage in a vast cold war. There are restless tossings of the human spirit as men dream of a more fruitful use of life than to spend their creative energy and labor for mounting armaments and the instruments of destruction. Since 1914, the world has been undergoing one of the most significant political, economic, social, and scientific revolutions in the history of man.

Changes of great magnitude are taking place in the American economy, and they present us with critical problems. These changes are certain to have an increasingly profound effect upon the life of every citizen, every business, and every institution.

We shall examine two of these major changes and the problems they have brought our people. The first change is the new role of government in our economic life. The second is the new role of the United States in world affairs. Finally, we shall outline the relationship of these changes to the critical world struggle in which we are now engaged.

From the time of Aristotle and Plato, thoughtful men have earnestly debated the role of government in a nation's economic life. That question is also one of the great issues upon which our people need to bring judgment. Unfortunately, on this subject we often think with our emotions and not with our minds. In discussing the place of government in our economic life, it is easy to utter empty platitudes with aggravating solemnity. However, to paraphrase John Stuart Mill, a question of such importance should not be fought between ignorant change and ignorant opposition to change.

There has never been a time in American history when government has not participated in our economic life, but the role of government has changed significantly over the years.

*An address by Mr. Prochnow before the Annual Meeting of the National Bank Division of the American Bankers Association Convention, Chicago, Sept. 22, 1958.

Federal Intervention-Phases

The relationship of the Federal Government to our economic life has had three principal phases. In the first period, from 1790 to 1860, the major task of the government was to provide various services. The principal functions of the Federal Government included foreign affairs, national defense, law enforcement, tax collection, tariff administration, the post service, the mint, banking regulation, patents, land grants, veterans' pension, and Indian affairs. Total expenditures of the Federal Government in 1790 were only \$4.2 million. By 1860, they had risen to \$60 million a year.

In the second period, from 1860 to 1940, the Federal Government became more and more the regulator of business. In this period, the government sought to promote industrial development by increasing the protective tariff, encouraging the growth of railroads with land grants, establishing a national banking system, and pursuing policies favorable to industry. Investment in industry grew rapidly. By 1880, the value of manufactured products and the capital invested in manufacturing industries had each increased to over five times the level of 1850, only 30 years earlier. The increases were greatest in the railroad field and in heavy industry located in densely populated areas. These industries needed huge investment, and they were particularly susceptible to the concentration of ownership and control.

The major reason for a strong *laissez-faire* policy (a policy of letting business alone) almost up to 1900 is to be found in the social and economic environment in which this nation was established and grew. Many of the early colonists were ambitious, liberty-loving, energetic persons who came here determined to improve their individual welfare. Tremendous areas of rich land, combined with an industrial revolution, gave them the opportunity; and they asked only to be left alone to use this opportunity fully. Most of them lived on farms. In 1860, agriculture was by far the leading industry. The isolation of the rural community raised very few of the difficult problems that came later with the growth of congested and industrialized urban areas. But by 1900, 60% of all workers were in non-agricultural pursuits, and the economy was facing the new problems of industrialization.

Between 1860 and 1940, there was a noticeable swing away from the individualistic attitude of the preceding period. Farmers, small business men, and labor were critical of economic conditions. Millions of immigrants had taken over great areas of our public lands. The opportunity for self-support on the western frontier was vanishing. Increasing industrialization brought congestion in the cities, labor unrest, and a growing sense of economic insecurity. Recurring depressions and a restless business cycle were disturbing factors as industrial corporations made gigantic strides in their growth. More and more the feeling grew that government should have greater responsibility for the conduct of economic affairs and the economic security of the people.

The government took its first major steps to regulate large segments of business with the passage of the Interstate Commerce Act of 1887, followed by the Sherman Anti-Trust Act in 1890.

Then Theodore Roosevelt with his "Square Deal" and Woodrow Wilson with his "New Freedom" increased Federal regulation in many fields. This was the first important period of growth in regulatory legislation. This legislation affected labor, food processing, trade practices, power, and farm credit. It created a central banking system in 1913, strengthened the anti-trust legislation in 1914, and took steps to preserve our national resources. With the country's entry into World War I, government control of business exceeded anything the country had ever thought possible.

During the boom of the 1920's, the slogans of business were "Back to Normalcy," and "Less Government in Business." Emergency war controls were largely removed. Business attained record levels. However, farm income was squeezed by declining farm prices and rising costs. To help the farmers, the Federal Government enacted the Packers' and Stockyards Act of 1921, the Capper-Volstead Act of 1922, the Agricultural Credit Act of 1923, the Cooperative Marketing Act of 1926, and the Agricultural Marketing Act which established the Farm Board in 1929. In only a few years, we had come a long way from the time when President Cleveland vetoed an appropriation of a mere \$25,000 to buy seed corn for Texas farmers ruined by a drought.[1] But despite the slogan of "Less Government in Business," the forces in favor of an expanded role for government were growing stronger and stronger.

Obligation of Economic Security

Then came the collapse of the stock market boom in 1929. The towering structure of prosperity cracked wide open. Gradually the lengthening shadow of a deep depression settled over the nation. Conservative men were in despair over \$7-, \$8-, and \$9-billion Federal budgets. The pillars of the economic firmament were falling, and an old order of things was being shaken down about our ears. Those were anxious times for anxious souls. The stability of the economy became the major concern of government. The Reconstruction Finance Corporation, The Federal Farm Board, public works projects, and emergency relief programs followed rapidly. Franklin Roosevelt vastly extended these measures, and we experienced the second most important period of growth of government regulatory powers in our history.

Government regulation in the 1930's was designed to achieve two goals: recovery and reform. The recovery program included greater activity for the Reconstruction Finance Corporation, the establishment of the PWA and the WPA, and the use of public credit to prevent farm and home foreclosures. The reform program included the establishment of the National Labor Relations Board; the Walsh-Healy Act; the Fair Labor Standards Act; the Agricultural Adjustment Act of 1938; the Securities Act of 1933; the Robinson-Patman Act; the Miller-Tydings Resale Price Maintenance Law; and the Food, Drug, and Cosmetic Act of 1938 — to name only a few. Major revisions were also made in the banking laws of the nation.

From 1896 to 1939 inclusive, the Federal Government established approximately 100 new agencies, including such major agencies as the Bureau of the Budget, Federal Bureau of Investigation, Rural Electrification Administration, Federal Trade Commission, Federal Power Commission, Commodity Credit Corporation, Export-Import Bank, Federal Housing Administration, Federal Deposit Insurance Corporation, Securities and Exchange Commission, Veterans Administration, Social Security Board, Tennessee Valley Authority, and the Board of Governors of the Federal Reserve System. With the increase in the number of new government agencies, there was also an expansion in the older agencies. This was the great period for the development of regulation by government. By 1940, the Federal Government had achieved significant control over business and was about to enter into a new relationship. The government was now to become the biggest customer in the nation.

The coming of the 1940's and America's entry into World War II, the Federal Government's purchase of goods and services attained levels undreamed of in earlier years. Government purchases of \$89-billion in 1944 were only a little less than the value of our total output for the boom year of 1929.

Today, the operations of the Federal Government pervade the whole economy. For the fiscal year 1958, Federal expenditures of approximately \$72-billion were 140 times the expenditures of 1900, which compares with a population increase for the same period of only a little over two times. In 1958, the purchases of the Federal Government will account for an estimated 17% of the nation's total output of goods and services compared with 1.2% in 1929 and an average of only 3.8% for the years 1929 through 1939. The Federal Government has now become the most important economic and financial power in the nation and the biggest customer of business. Today, government revenues and expenditures have far reaching effects on the economy. Moreover, the concentration of this vast economic and financial power, with the government as the largest purchaser of the nation's goods and services, inevitably means a potentially dangerous struggle to influence those who wield such great power.

In 1900, the total expenditures for Federal, state, and local governments amounted to but \$1½-billion, compared to \$79-billion in

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[1]Cleveland stated at that time, "I can find no warrant for such an appropriation in the Constitution, and I do not believe that the power and duty of the general government ought to be extended to the relief of individual suffering which is in no manner properly related to the public service or benefit. A prevalent tendency to disregard the limited mission of this power and duty should, I think, be steadfastly resisted, to the end that the lesson should be constantly enforced that, though the people support the government the government should not support the people."

Twenty-Five Years—Past and Future

By HON. JESSE P. WOLCOTT*

Chairman, Federal Deposit Insurance Corporation

Anticipating banking problems in the next 25 years, on the occasion of FDIC's quarter-century anniversary, Mr. Wolcott (1) deplores present and prospective capital-asset ratio situation; (2) delves into rising nonbank competition; (3) comments on management succession; and (4) notes changing banking's structure leaves number of banking offices falling behind pace of population growth. The former Congressman credits deposit insurance for being one of our most important "built-in stabilizers" in mitigating the recession, and warns that the FDIC fund is not a substitute for bank capital. The ex-House banking and currency expert foresees $600 billion deposits in 1982 compared to present $230 billion, with corresponding growth in assets, and finds we will need about $30 billion of new capital just to maintain existing inadequate capital level.

Jesse P. Wolcott

To the historian, preoccupied as he often is with periods measured in centuries, 25 years may seem very short indeed. However, for most every individuals a quarter of a century represents a substantial segment of his working lifetime. Twenty-five years ago this month, the first board of directors of the Federal Deposit Insurance Corp. held its initial meeting. This was truly a momentous occasion, for upon those directors and their successors fell the responsibility for shaping the policies of an organization charged for the first time in our history with the duty of assuring the safety of deposits in banks throughout the country. We are grateful to them and to their successors for their wisdom and their devotion to the cause of strengthening the banking system. During the years which followed, it was my privilege, as a member and as Chairman of the Committee on Banking and Currency of the House of Representatives, to follow rather closely the activities of the FDIC, as well as those of the American Bankers Association, which have contributed so much to the improvement of banking.

Many events of the past quarter of a century have been of great significance to banking. I will mention only a few: recovery from the depression of the early thirties; a global armed conflict and other military operations; a decade of cold war; mounting Federal expenditures, debt, and taxation; changes in the distribution of income and wealth; and a population increase of unusual proportions. Economic conditions throughout the nation are now vastly different from those of 25 years ago. There have been many changes in the banking structure and in the functioning of our banking and other financial institutions. The deposit insurance law under which the Corporation operates is in many respects very different from the law which its first board of directors was appointed to administer.

There is a natural temptation, on the occasion of this anniversary of deposit insurance, to dwell at some length on the changes which I have just described and perhaps to point with some justifiable pride to the manner in which the Federal Deposit Insurance Corporation has fulfilled the expectations of its founders. I do not intend to do that today, preferring rather to devote most of my time to a consideration of problems which we can see arising during the next quarter-century — a quarter-century which I am sure will be as momentous as the one we have just concluded.

*An address by Mr. Wolcott before the Annual Meeting of the State Bank Division of the American Bankers Association's 84th Annual Convention, Chicago, Ill., Sept. 22, 1958.

Holds FDIC Mitigates Recession

Before doing this, however, I cannot refrain from directing attention to one facet of this deposit insurance story which has some current relevance. During the past year, we have been undergoing a recession of somewhat greater severity than the other downturns since World War II. Recently there have been quite encouraging signs of an upturn; and the recession of 1957-58 will, I am confident, go down in the history books as one of those mild cases, soon to be forgotten. Many people have written articles on the reasons for the mildness of this decline, and I am sure that all of you here are familiar with most of these reasons. I would simply like to direct attention to the fact that one of the basic reasons — seldom mentioned — has been the existence of deposit insurance.

There is no question that prior to the establishment of the Federal Deposit Insurance Corporation economic downturns were aggravated and magnified by bank failures. Even in good years—years of prosperity—there were numerous bank failures, while in bad years the number increased distressingly. In serious depressions such as 1930-33, the number of failures became catastrophic.

It would take a far more competent analyst than I to measure precisely the effects these failures had on the respective downturns, but there can be no doubt that they were serious. It is even quite probable that, at the beginning of an economic downturn, public anticipation and fear of bank failures and bank difficulties had a seriously depressing effect.

During this recent recession, bank failures have been very few, and they have been largely of the same kind with which we have had to deal in each year since World War II. No bank closing has been caused by depositor panic. Neither bank failure nor fear of failure has aggravated the decline. I am convinced that years of good bank supervision, combined with the truly amazing degree of public confidence in the banking system, have been significant factors in this development—and both factors are closely linked to deposit insurance.

A little incident illustrates the changed public attitude with respect to bank failures. In the course of paying the insured claims of the depositors of one of the few banks which failed during the past year, we found that the claims were coming in quite slowly. Our claims agent, anxious to conclude his business, was a little disturbed over this; and one day he mentioned to one of the former employees of the bank that a particular depositor, with approximately $5,000 in his savings account and over $1,000 in checking account, had not yet appeared to make claim. The claims agent asked if the employee knew this person. The answer was, "Yes, as a matter of fact, he lives across the street, and if you look out of the front window of the bank you can see him standing there now. He probably will drop in for his money in the next week or two."

I am sure you will all agree that such a situation would never have occurred prior to 1934, when even a small rumor of impending bank difficulty could bring hordes of frantic depositors, demanding immediate payment of their balances. We hear a lot today about so-called "built-in stabilizers," by which people mean such things as social security payments and unemployment benefits. I maintain that one of the most important "built-in" stabilizers is Federal deposit insurance, and the fact that it is working so well testifies to its success during this first quarter-century of operation.

Enough of the past. What can we foresee for the future? Looking ahead to the next quarter of a century we can be confident that, so long as we are able to maintain peace, our economic system will continue its remarkable record of growth. If our output continues to grow at an average annual rate of approximately 4% a year, we may expect that deposits will grow at about the same rate. Any faster rate of deposit growth would, of course, be inflationery — a development we must make every effort to avoid—while any slower rate of growth in deposits could be deflationary. Assuming, then, a 4% growth rate of deposits, we can estimate that our banks in 1983 will have more than $600 billion of deposits, compared with approximately $230 billion today, and that there will be a corresponding growth in bank assets. Growth of this order of magnitude is not only quite probable but desirable. Nevertheless, it may give rise to certain new banking problems and perhaps accentuate some old ones. It is to a discussion of these that I would like to turn now.

Deplores Capital-Asset Ratio

The bank capital problem comes first to mind. With the deposit and asset expansion I have indicated, we will need to have approximately $30 billion of new capital added to our banking system by 1983 if we are merely to retain the present ratio of capital to total assets. Judging from the record of recent years, which indicates that banks have been able to maintain, and even slightly improve, capital ratios, it would appear that there is no serious problem in store, so long as our goal is limited and so long as present practices do not change. In other words, we must continue our present rate of additions to capital if we are to remain in approximately the same relative position we are in today.

The difficulty is that the present capital level is not sufficient, and is likely to become even less satisfactory as years go by. The reason for this is that the banking system will have to participate vigorously in the financing of the economic growth which this nation must and will have during the next quarter-century. The present level of capital relative to bank assets would be reasonably satisfactory in a situation similar to that which existed just after World War II, in which a large proportion of bank assets was invested in securities of the United States Government. This is not the case today, and it is even less likely to be the case in years to come.

Point Out Nonbank Competition

A rapidly growing economy will bring a multitude of opportunities, which banks must be alert to grasp, and increased responsibilities, which banks must be quick to serve. If this is not done, we will find that the nonbank financial institutions, which have already enjoyed a remarkable rate of growth, will continue to attract much of the business that banks are capable of doing. In addition, we may find new financial institutions appearing on the scene. Banks cannot let these opportunities and responsibilities go by default; but if they are to take advantage of them, there must be an adequate capital base.

I am not prepared at this time to say that there should be any specific goals, or any precise ratio of capital to assets for the banking system as a whole. As a matter of fact, ratios based on aggregate figures have a limited usefulness, since the amount of capital each bank needs depends on circumstances peculiar to that bank. There are many banks today which are adequately capitalized and whose officials are sufficiently alert to the problem to assure

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"Money in Peace and War"

By HON. J. L. ROBERTSON*
Member Board of Governors, Federal Reserve System

Concern is expressed by Federal Reserve's Governor about our ability to preserve our way of life and the money and credit structure on which it is based, in the event of another war. Mr. Robertson commends our ability to withstand vast governmental expansion and to maintain a sound, flexible monetary system. He asks that we engage in private and public monetary and banking nuclear war-disaster preplanning now and points out that any deficiencies here can be almost as damaging to economic activity in the surviving areas as the bombs themselves in the areas where they may fall. The Governor reviews what banks have and should presently do, and stresses need to assure a sound money in all circumstances and to be able to provide money and credit essential to reconstruction.

I doubt that any speaker before a gathering of the American Bankers Association has ever introduced his remarks by observing that the situation appeared rather pleasant, quiet, and uneventful. Speakers always refer to the current period as "difficult" or "momentous" or "critical." As much as I would like to break this precedent, I cannot, for these are troublesome times. Peace is threatened by events overseas which seem at times beyond the control of any person, nation, or group of nations. Even now the comfort that we derive from what appears to be a prompt and vigorous revival in business activity is marred by our continuing concern over inflationary pressures. Nor does my subject—"Money in Peace and War"—lend itself to light or easy treatment.

James L. Robertson

Much has been written and said of the role of money in the affairs of men. I am sure that the phrase "familiarity breeds contempt" was never intended to apply to money, but just as a guide who works every day at the Taj Mahal might come to regard it as commonplace, it may be that in your intimate association with the flow of money and credit in our economy you lose sight of the dramatic importance of money to the functioning of our society. It is difficult to find better words to express this essentiality than those employed by Aristotle over 2,000 years ago when he observed that "the use of money was devised as a matter of necessity."

A more recent observer, whose views seem to be particularly apropos because so many of the seemingly bizarre devices his inventive mind created for science fiction now constitute the realities of modern warfare, is H. G. Wells. He said—with not very great exaggeration — that "without trustworthy money a country is as paralyzed as a brain without wholesome blood. She cannot act. She cannot move. Employment becomes impossible and production dies away. Our civilization is, materially, a cash and credit system, dependent on men's confidence in the value of money."

The institutions, laws, and economic relationships in the United States have grown up in the framework of a free enterprise system. We know that this system has operated and can operate to produce widespread economic well-being, to direct resources to productive uses, and to distribute goods and services efficiently and widely among our citizens.

*An address by Mr. Robertson at the 84th Annual Convention of the American Bankers Association, Chicago, Ill., Sept. 24, 1958.

We know from experience that we have in it a hardy, rather than a delicate, system. It has shown an amazing ability to adjust to changes in its environment and to a steadily increasing complexity. While its philosophical roots are based on assumptions of perfect competition and freedom of resource movement, we know from experience that it can absorb many imperfections and still operate tolerably well.

Survival Against Fiscal Growth

For example, it has survived a vast expansion of the governmental sector of the market, which has now grown to the point where government purchases of goods and services account for 20% of the gross national product. In spite of this, and the fact that a substantial part of the remaining 80% is controlled or influenced by government policies of one sort or another, the system continues to work and to work efficiently. Prices move up and down — reflecting the shifting forces of demand and supply — and the thousands and thousands of individual items which we require for our personal and business existence are generally available, when and where they are needed, at prices which reflect their relative costs.

But if this system of free enterprise is to continue to serve us efficiently in peace and in war, we must not abuse it unduly or place intolerable strains upon it. While it is not rigid or uncompromising and does not demand perfection, there are limits beyond which we must not go if we would maintain it and expect it to continue to operate efficiently.

Clearly we should restrain further growth of the government sector, and reduce it if possible. We must prevent further inroads on the maintenance of competition. Monopolistic practices and monopolistic prices, whether in industry or labor, or among financial institutions, can destroy our economy as effectively as any outside enemy. We must be alert to the possibility that we have foolishly or inadvertently allowed or even encouraged arrangements to develop which threaten the interplay of competitive forces in a free economy and move promptly to correct any such developments.

Sound, Flexible Monetary System

Another important condition to our survival as a free nation is the maintenance of a sound, but flexible, monetary system. Again, we are exceedingly fortunate that our free enterprise economy does not require perfection. Not only can individual prices fluctuate, the general price level itself can move upward or downward by substantial margins without disrupting the flow of production and distribution. However, we should not be deceived by this tolerance. The kind of rational, balanced decisions on the part of millions of individual citizens to spend and to save, to borrow and to lend, that are essential to the working of a free enterprise system, are incompatible with wide fluctuations or progressive deterioration in the real value of the monetary unit. We must, therefore, maintain a currency we can all rely upon to buy the product of our economy and to discharge our obligations, now and in the future.

A sound, flexible monetary policy can exert a tremendous counterbalancing influence against the forces which would otherwise cause inflationary and deflationary movements. In periods when widespread expectation of inflation causes reckless spending and borrowing, the effects of monetary policy may be largely frustrated — for a time — by the increasing velocity in the use of money and resultant expansion in purchasing power. But in the end, the steady pressure of monetary policy—making money harder to come by, making it more costly to borrow, making it more precious —can restore confidence in the value of the dollar and cause people to refrain from buying goods they do not need now but feel they might need later on, from speculating in stocks as a hedge against inflation, and from borrowing more than their present means or prospective income warrant.

In periods of recession, of course, we see the other side of the coin: some people are out of work, and many more are spending as little as possible and potential entrepreneurs are hesitating to go forward with new ideas and plans for fear there may be no market for their products. In such times credit should be made more plentiful and less costly in order to stimulate economic activity, as was the case last winter and early spring. Our recent experience has proved again that the day when you could not "push on a string" has passed.

The instruments of monetary policy available to us and the knowledge and judgment which we are able to bring to bear in using them fall far short of perfection, and we must strive continuously to improve both. As our economy grows and new institutions and institutional relationships develop, we will undoubtedly need to modify and develop both our concepts and the tools we use to cope with peacetime economic instability. While I think we should move deliberately in our search for solutions to new monetary problems, I am equally certain that we must move forward and that we will. With the resources at our command we would have to be incredibly stupid to allow the value of our money to melt away, and I am personally convinced that we are considerably smarter than that.

Consequences of Another War

I have spoken so far of the role of money in peacetime and have expressed my sincere optimism that we can and will maintain our free enterprise system and a sound currency. I would be less than frank with you, however, if I did not reveal my much greater concern about our ability to preserve our way of life, and the money and credit structure on which it is based, in the event of another war. Perhaps some of you, along with a good many of your neighbors, feel that if we had another war money would not make very much difference—what with hydrogen bombs, continent-to-continent missiles, radioactive fallout, et cetera. Undoubtedly that would be true for some of us—but how many of us depends on what we do in advance.

One of my assignments, both as Deputy Comptroller of the Currency and as a Member of the Board of Governors, has been to work with a small group of men in government who are wrestling with the economic problems that would confront our nation in the event of a nuclear war.

Without divulging any secret information, I should like to give you some idea of the kind of situation which might confront us. Let us assume that the enemy attacks with everything it has and that we have a half-hour's notice—which is about all we can count on, even with the warning devices which are still in the process of construction. This would be time enough for our own military forces to launch appropriate retaliatory action. Our planes with their hydrogen bombs would be in the air and our submarines with their guided missiles would be under the water. These measures would probably be supplemented by intermediate - range missiles from launching sites located elsewhere. There is little doubt that this combination of forces would strike a devastating blow to the enemy. But try as we might, it is doubtful that our interceptors would be able to prevent more than half of the enemy's bombs and missiles from hitting their marks. Of course, some would veer off and miss the strategic cities, factories, and airfields for which they were intended; and the wind, being from a given direction and at a particular velocity, would in some cases carry fallout away from rather than toward the intended target, but it would be just as deadly to the people it enshrouded as it would have been to those for whom it was intended.

Nuclear Attack

While no one can predict the exact pattern that would emerge from a particular attack on a particular day, it is not too difficult to calculate the kind of thing that might happen. Imagine, if you will, a huge map of the United States. We can assume that bombs have struck in a dozen locations, and what with fallout, the whole of New England is substantially out of the picture. Other bombs struck in Pennsylvania, the District of Columbia, the Carolinas, and Georgia. Still others hit the upper Middle West, destroying much of our industrial development; one landed not far from where we are meeting. While my home town of Broken Bow, Nebraska, escaped unscathed, scores of bombs hit along center and far western tiers of states. In fact, the coast from Los Angeles to Seattle is left with only a few pockets where normal human activity is possible.

Since we have no shelter program worthy of the name, partly because our civil defense organization has received only apathetic support from a disinterested public, this assumed enemy attack has left with us roughly 40 million dead and another 30 million either injured or sick from radiation exposure. Large geographical areas suffered little or no damage, as you can see, and millions of people are unhurt but frightened to the point of true panic. Hordes of refugees from the edges of the devastated areas are moving into the less damaged islands seeking food and shelter.

It is obvious that the enemy would have been hurt just as badly since our planes, ships, and missiles were under way, and therefore victory — or perhaps more accurately, survival—will go to the nation that can first rise to its knees, then stand up and re-establish itself as a living and fighting power.

Perhaps the picture I have painted is too black, although I have tried to avoid exaggeration—an interview with experts will probably show that I have engaged in understatement. My purpose is not to play the role of an alarmist, but simply to point up the job that has to be done; for no matter how insurmountable the problems may seem at first glance, I am convinced that workable solutions can be found and developed — if we have the will

and the courage to think and to act.

What can we do to assure that the surviving Americans—still as numerous as the entire population of this country at the time of the first World War—would have at least an equal chance to be the first on their feet?

Public and Private Preparedness

Some say that there is nothing that we can do now, that the range of possibilities is so wide and the ensuing chaos would be so overwhelming that no advance thinking or preparation would be of any avail. Certainly the prospect of nuclear war is frightening and the devastation it might bring would be horrible, but I am convinced that public and private preparedness can make a difference—in fact, the difference between national survival and annihilation.

Others apparently believe the solution will lie in martial law and the immediate imposition of a blanket of direct controls over all economic activity. This is pure nonsense. There is every reason to suppose that the military itself will suffer heavy casualties. It will certainly be in no position to take over all the problems of maintaining order, much less the problems of regulating economic activity. The Federal Government will surely be scattered and the operable fragments will be preoccupied with solving the most basic sorts of policy problems. It is foolish to assume in these circumstances that ration books would be promptly distributed; that the amounts of goods available to be rationed, in all of the various circumstances which would prevail, could be determined at a national level; or that government lending agencies would replace banks in every remaining town and hamlet in the United States.

Bank's Role

While the Federal Government would certainly attempt to reestablish itself as rapidly as possible and begin to take measures to husband critical materials and to direct production to the most essential purposes, many areas would be dependent for a long time on their internal resources and it would be up to local authorities to direct the initial reconstruction. They would unquestionably rely upon the banks in the area to provide the money and credit essential to finance their efforts. Money, both cash and deposit money, would be an essential element in the painful struggle for survival.

At first thought it would seem that money would be redundant in these circumstances and that our main problem would be to soak up large amounts of excess cash and deposits which would be competing for the limited supply of available goods and services. This might be the case, and it is a situation with which we must be prepared to cope. On the other hand, there is at least an equal possibility that cash and deposit money would be too scarce. As you all know, demand deposits make up far and away the bulk of the money supply in the United States. If the banks were closed and people were unable to effect transfers of funds through the check clearing mechanism, this would automatically shrink our effective money supply to a small fraction of its previous volume. An attack such as the one we have just contemplated would bring about technical insolvency on the part of almost all banks in the United States—in the absence of preplanned action. This could have almost as damaging an effect on economic activity in the surviving areas as the bombs themselves created in the areas where they fell. Thus, we must be prepared to do whatever is needed at the time, to restrict the supply of money and credit, or to restore solvency and thus make money and credit more readily available.

A number of things are essential if we are to be so prepared. Banks must be in a position to operate even after suffering serious personnel losses and physical damage. The solvency of the financial structure must be protected and maintained. And a mechanism must be worked out which will permit the customers of banks that are unable to reopen to have access to pre-existing deposits and to new loan facilities at banks that can reopen. If we are to accomplish this, a great many things need to be done by the government as a whole, by the bank supervisory agencies, and by the banks themselves. Some of these things have been done and others are being actively pursued at the present moment.

For example, in our own field—and, of course, the same sort of thing has been done and is being done by other arms of the government — the Federal Reserve Board and each of the Federal Reserve Banks has established and equipped alternate headquarters and maintains duplicates of essential records elsewhere. We have established lines of succession of authority in the event of casualties, prepared instructions for operation, and tested their adequacy in a number of "alerts." Reserve stocks of currency have been built up for emergency use and stockpiled throughout the country.

As just another example, I might mention the huge electronic brain at the government's principal relocation center. For several years experts have been feeding into this machine information regarding our basic resources, from drugs, chemicals, and metals, to factories, banks, and man-power. By feeding into it information as to the nature and location of an attack, the machine can produce within minutes realistic estimates of the amounts and location of resources still available after the attack.

Mobilization Responsibilities

Some time ago certain defense mobilization responsibilities were assigned to the Federal Reserve Board, among which was "to develop plans, in cooperation with the Department of the Treasury, including the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, to encourage preparedness measures by the commercial banking system designed to assure continuity of operations of the banking system in the event of enemy attack." As a result, two committees were established — composed of active members of your Association. As I hope you are aware, recently these committees sent to all banks five pamphlets describing certain highly desirable pre-attack preparations. They are now working on a second series of pamphlets which are concerned with the measures and operations which would be called for following an attack.

So noteworthy progress has been made, but much remains to

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Growth of Nation's Banking Institutions

By HON. RAY M. GIDNEY*

Comptroller of the Currency

United States Comptroller of the Currency surveys the status of dual banking system and finds mutual savings banks and S. & L. Assns. are growing faster than national and state commercial banks. Mr. Gidney attributes this to the former's more attractive interest and dividend rates which he says results from lower liquidity requirements and more favorable tax status. The Federal official concludes "Two Way Street" law has not significantly affected exodus from national banking system, and national banking has been faring well despite consolidations, mergers and purchases. He hopes next Congressional session will pass Financial Institutions Act, permit member banks to include vault cash in legal reserves, correct discriminatory tax free bad debt reserve formula, and urges banks not to neglect adequate salary structure.

National banks are giving an ever increasing measure of service to their communities and to the Nation, and are maintaining the high measure of prestige which they have long enjoyed. While giving due credit to National banks for the part they perform in the dual banking system, we should avoid the development of jealousies between individual banks or between classes of banks because they operate under State or Federal charter. A bank is what it is because of what it does. Management is of primary importance, and no system has a corner on good management. In surveying our banking system, it is encouraging and inspiring to recognize the high measure of ability, training, skill and devotion to the best in banking which characterizes the leaders in our profession. It is only fair to give credit to the part played in the American Institute of Banking and the several Schools of Banking in the development of depth and strength in bank management. Our responsibilities increase daily and our training must keep pace.

Ray M. Gidney

A fairly equal division of the bank assets between National and State chartered institutions continues. Ten years ago National banks had 50% of the total assets of commercial and savings banks and 57% of assets of commercial banks. In 1955 two large mergers which occurred in New York City made a percentage change of about 3% in the relation of National bank assets to total bank assets, and reduced the percentage of National bank assets from 50% to 47% of total assets of commercial and savings banks and from 57% to 54% of commercial banks. That is the approximate percentage now.

Faster Savings Banks' Growth

Commercial banks, National and State, have not had as rapid a rate of growth in recent years as mutual savings banks and savings and loan associations. For the ten year period, 1948-1957, inclusive, commercial bank assets increased from $156 billion to $224 billion, or 43.6%. Assets of mutual savings banks increased from $20 billion to $35 billion, or 75%. Assets of savings and loan associations increased from $12 billion to $48 billion, or 300%. The more rapid growth of these institutions may be ascribed to their ability to offer more attractive interest or dividend rates because of their lower liquidity requirements and favorable tax status. Mr. M. M. Kimbrel, Chairman of the American Bankers Association Committee on Federal legislation, furnished the Committee on Ways and Means of the House of Representatives, 85th Congress, as part of his testimony on the Curtis Bill (H. R. 8737) with the figures contained in Tables I and II.

*From an address by Mr. Gidney at a meeting of National Bank Division, American Bankers Association's 84th Annual Convention, Chicago, Ill., Sept. 22, 1958.

To complete this picture, I have taken from the Federal Deposit Insurance Corporation Annual Report for 1956 the figures (Table III) for all insured commercial banks.

Thus it appears that insured mutual savings banks in the five year period, 1952-1956, paid Federal income taxes of $9.5 million and allocated $397.6 million to reserves and undivided profits or surplus; savings and loan associations, members of the Federal Home Loan Bank System, paid Federal income taxes of $24.1 million and allocated $1,448.5 million to reserves and undivided profits.

Insured commercial banks paid income taxes of $3,799 million, while paying dividends and adding to reserves and undivided profits from earnings $6,394 million. Clearly there is an extremely wide difference in the exposure of these types of institutions to Federal income tax liability.

TABLE I

Reserve and Surplus Accumulations From Earnings Compared With Federal Income Taxes Paid by Insured Mutual Savings Banks

(In Millions of Dollars)

	Allocation of Net Income to Reserves and Undivided Profits or Surplus	Federal Income Taxes Paid
1952	51.0	2.2
1953	62.7	2.1
1954	98.8	3.4
1955	86.7	1.2
1956	98.4	.6
Total	397.6	9.5

SOURCE: Federal Deposit Insurance Corporation.

TABLE II

Reserve and Undivided Profit Accumulation From Earnings Compared With Federal Income Taxes Paid by Member Savings and Loan Associations

(In Millions of Dollars)

	—Allocation of Net Income to Reserves—			Federal Income
	Reserves	Undivided Profits	Total	Taxes Paid
1952	158.8	32.4	191.2	3.2
1953	208.9	22.2	231.1	4.8
1954	268.1	15.9	284.1	5.5
1955	341.3	14.1	355.4	5.5
1956	368.7	18.1	386.7	5.1
Total	1,345.8	102.7	1,448.5	24.1

SOURCE: Federal Home Loan Bank Board.

"Two Way Street" Law

Besides direct growth of banking institutions under their existing charters, changes in relative status of the banks in the dual system come about through the organization of new banks, conversion from one charter to another and by change of status through consolidation, merger or transfer by sale and purchase of assets. In the chartering of new banks, State bank supervisory authorities have consistently exceeded the Comptroller of the Currency in the number of primary organizations authorized. For the ten and two-thirds year period, Jan. 1, 1948, to Aug. 31, 1958, 645 new State banks were chartered as compared with 178 new National banks.

	National	State
1948	15	55
1949	11	51
1950	7	58
1951	9	47
1952	15	51
1953	16	51
1954	16	50
1955	28	84
1956	30	87
1957	19	64
1958 to Aug. 31	12	47
	178	645

With respect to conversions from one charter to another, a significant change resulted from the passage of the so-called "two-way street" law in 1950 which provided for direct conversion of National banks into State banks without approval of the Comptroller of the Currency in States whose laws would permit direct conversion of State to National banks without approval by the State authorities. Many believe that this would result in a marked exodus of National banks into State systems through conversion but this has not taken place. The net movement has been State to National in number of banks and in assets. From Jan. 1, 1950, to Aug. 31, 1958, 48 State-chartered banks with total resources of $541 million converted into National banks, while in the same period 21 National banks with total resources of $176 million converted into State chartered institutions. (Table IV.)

Consolidations, Mergers and Purchases

Changes of status through bank consolidations, mergers and transfers by sale and purchase of bank assets account for the more important shifts from one system to the other. From Jan. 1, 1950, to Aug. 31, 1958, inclusive, 366 State chartered banks with total resources of $3,983 million were consolidated, merged or transferred by purchase into National banks. National banks numbering 218 with total resources of $9,833 million were consolidated or merged or transferred by purchase into State chartered banks. This net gain of assets by the State system was largely accounted for by the merger in 1955, referred to above, of two large New York City National banks with State chartered institutions, and carrying total resources of $6.238 million with them. Generally, the National Banking System has been faring well in the matter of consolidations, mergers and purchases. (Table V.)

For all banks at the end of 1957, assets were $259.2 billion. Commercial banks numbered 3,944, supervised by State banking authorities, held assets of $102.9 billion, and 523 State chartered and supervised mutual savings banks had assets of $35.2 billion. The 4,636 banks supervised by the Comptroller of the Currency had total assets of 121.1 billion, which were 46.7% of the banking assets in the commercial and savings banks of the Nation, and 54% of the commercial banking assets. The average assets per bank were $11.5 million for the State commercial banks, $26.3 million for the National banks, and $67.3 million for the mutual savings banks. I am including a footnote which shows the number, size and status of all operating banks. (Table VI.)

So much for a survey of the status of the dual banking system which continues to be in good balance and in excellent condition.

Preaches Economic Moderation

I am not going to make any extended comment on current economic trends. That is covered by the many excellent current reviews by authoritative sources. It is good to note that we are having a general improvement in the economy following the short and sharp recession. The business recovery has continued through August and there are many reasons for believing that it will continue in the months ahead. This I believe is sufficiently probable that we should again remind ourselves of the necessity of avoiding the dangers of inflation. As a nation, I fear that we have developed a strong bias toward inflation and that it is going to take the best efforts of all who believe that inflation must be restrained if that is to be accomplished. Where one voice raised in firm demand for reasonable restraint upon over generous expansion of credit and other forces making for inflation, there are likely to be many demanding that all activities proceed at a more and more rapid pace. When I appeared before you in September 1955 I commented upon the fact that the Economic Indicators then showed peak figures, and suggested that a useful rule for bankers is found

TABLE III

Dividends Paid and Reserve and Undivided Profit Accumulation From Earnings Compared With Federal Income Taxes Paid by All Insured Commercial Banks 1952-1956, Inclusive

(In Millions of Dollars)

	Dividends Paid	Reserves	Undivided Profits	Total	Federal Income Taxes Paid
1952	442	77	548	1,067	662
1953	474	50	552	1,076	751
1954	517	150	790	1,457	862
1955	566	158	590	1,314	754
1956	617	263	600	1,480	770
Total	2,616	698	3,080	6,394	3,799

SOURCE: Annual Report of the Federal Deposit Insurance Corporation for the year 1956.

TABLE IV

Conversions

	State Chartered Banks Converted Into National Banks		National Banks Converted Into State Chartered Banks	
	Number	Assets	Number	Assets
1950	6	$50,000,000	1	$3,000,000
1951	2	11,000,000	0	—0—
1952	0	—0—	6	88,000,000
1953	3	14,000,000	2	21,000,000
1954	11	160,000,000	2	19,000,000
1955	8	62,000,000	4	23,000,000
1956	10	120,000,000	3	4,000,000
1957	3	29,000,000	2	8,000,000
1958 to Aug. 31	5	95,000,000	1	10,000,000
	48	$541,000,000	21	$176,000,000

TABLE V

Assets Transferred by Consolidation, Merger or Purchase*

	—State to National—		—National to State—	
	No. of Banks	Assets	No. of Banks	Assets
1950	33	$260,000,000	8	$53,000,000
1951	21	272,000,000	22	934,000,000
1952	33	309,000,000	13	78,000,000
1953	24	141,000,000	21	351,000,000
1954	65	1,109,000,000	42	362,000,000
1955	52	441,000,000	47	7,163,000,000
1956	55	385,000,000	26	179,000,000
1957	55	576,000,000	26	321,000,000
1958 to Aug. 31	28	492,000,000	13	392,000,000
	366	$3,983,000,000	218	$9,833,000,000

*Does not include transactions effected within the District of Columbia as the Comptroller of the Currency is the supervisory authority for both National and District banks.

in the words of the ancient Roman, Horace, who wrote:

"So wisely, when yourself
you find
Scudding before too fair a
wind,
Take in a reef or two."

That is always a good admonition to keep in mind when the pace of credit granting shows signs of undue acceleration.

Federal Legislation

I would like now to refer to the subject of Federal legislation which is of very great importance to our National banks, and I believe also to the State chartered banks. We are disappointed that The Financial Institutions Act, passed by the Senate March 21, 1957, failed to be reported out of the Banking and Currency Committee in the House of Representatives in the recent session. It included desirable simplification of Federal laws relative to financial institutions and changes which would be of benefit and advantage to the banking system and to the public. I feel sure there will be further efforts to obtain enactment of the essential parts of this legislation and I hope we may all contribute our concerted efforts toward the enactment of a sound and well balanced Federal law.

Two other matters of important legislation were introduced in the recent session of Congress. The first was H. R. 11871, introduced by Honorable Brent Spence of Kentucky, Chairman of the Committee on Banking and Currency of the House, at the request of the Board of Governors of the Federal Reserve System. It would amend section 19 of the Federal Reserve Act with respect to the reserves required to be maintained by member banks of the Federal Reserve System against deposits so that by regulation the Board of Governors could permit member banks to count vault cash as part of their legal reserve. Doubtless it will be reintroduced in the next Congress. State and National banks would be benefitted by its enactment.

Another important bill, H. R. 8737, introduced by the Honorable Thomas B. Curtis of Missouri brought the subject of initially tax-free bad debt reserves before the House Ways and Means Committee. Much useful testimony was offered by representatives of different points of view.

Tax-Free Bad Debt Reserve

We have long recognized the need for a bad debt reserve formula not limited to the loss history of the individual bank, as under the present formula, but applicable to every bank upon the basis of the consolidated loss experience of all banks. As a necessary incident to the business of bank lending, it is to be anticipated that losses will at some time occur and may become abnormally large under unfavorable conditions. They are a banking hazard against which a reasonable initially tax-free reserve should be established and this has been recognized by ruling of the Internal Revenue Service under which the reserves mentioned have been provided.

At the end of 1957, 2,772 National banks were maintaining Reserves for Bad debts aggregating $920.7 million. These particular banks held gross loans totaling $48.0 billion, or 93.33% of all of the loans of the 4,627 banks in the National system. For all insured commercial banks, the total bad debt reserves established by banks under the reserve method were $1,667 million as of Dec. 31, 1957.

A study has been made of "Reserve for Bad Debt Losses on Loans" in all insured commercial banks which points up the need for a more adequate and equitable formula. The study disclosed that the average ceiling amount which may be accumulated in reserves for bad debts by commercial banks under the present formula is 2.43 of eligible loans. This study takes into consideration only the loss experience of banks which survived the depression years of the early thirties. It revealed substantial inequities between commercial banks having high loan loss experience factors and those having small factors. To illustrate the spread between the high and low loan loss factors, a particular bank is permitted under the present formula to establish reserves for bad debts equal to 24% of its eligible loans while another bank has a loan loss factor of only 0.002%.

Mutual savings banks and savings and loan associations are permitted to develop tax-free reserves up to 12% of total deposits or withdrawable accounts of their depositors or shareholders, and are allowed as deductions against taxable income all dividends or interest paid Such a formula is more favorable by far than the formula under which commercial banks operate. A resume of the reserve for bad debt study is given is Table VII

Adequate Compensation

A subject which should interest this group is the responsibility with which we are all concerned to make banking work and salaries attractive to high grade, able and faithful officers and employees. I have spoken of the very great importance of the educational work of the American Institute of Banking and the excellent Schools of Banking. But we must always keep in mind the importance of adequate compensation. Recently our office con-

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TABLE VI

All Operating Banks—Continental United States and Other Areas

(Figures in Millions of Dollars)

Type of Bank	Members of Both the Fed. Res. System and Federal Deposit Ins. Corporation: Number	Total Assets	Members of Fed. Deposit Ins. Corporation Only: Number	Total Assets	Not Members of Fed. Reserve or Fed. Deposit Ins. Corporation: Number	Total Assets
National banks	4,625	*120,563	†10	*294	†1	*243
State comm'l banks	1,765	‡68,237	6,766	§32,440	413	¶2,243
Mutual sav'gs banks	3	‡29	236	§27,642	284	¶7,497
Total	6,393	188,829	7,012	60,376	698	9,983

—RECAPITULATION—

	Number	Branches	Total Assets	Increase for 1957
National banks	*4,636	4,046	121,100	2,828
State commercial banks	8,944	4,059	102,920	2,538
Mutual savings banks	523	405	35,168	1,857
Head Offices	14,103	8,510	259,188	7,223
Branches	8,510	----	------	----
Total banking offices	22,613	----	------	----

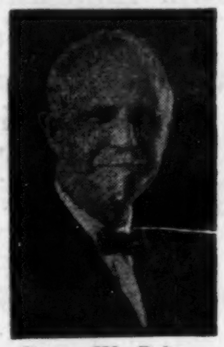
*Supervised by Comptroller of the Currency. (Includes 9 nonnational banks in the District of Columbia, 5 member and 4 nonmember insured banks with 23 branches.)
†Includes 6 national banks outside continental United States.
‡Supervised by State banking departments and Federal Reserve System.
§Supervised by State banking departments and Federal Deposit Insurance Corp.
¶Supervised by State banking departments only.

African Oils and Minerals

By ROGER W. BABSON

En route to Africa to observe personally facts about basic commodities produced there, Mr. Babson comments on the outlook for such African goods as gold, copper, uranium and oil. Believes De Gaulle is aware that Africa is the great storehouse of the world and that he plans to have the Paris Bourse replace the London Stock Exchange in connection with mining and oil developments.

When you read this column I expect to be on the high seas heading for Africa. You probably think this is a foolish thing for me to do, but following are some good reasons. In view of what I have said in these columns about gold, copper, uranium, oil, wool, and other metals, I am determined now to get first-hand facts. After so doing I will either correct my statements or confirm them through these columns. Africa is the best place to obtain such definite information today.



Roger W. Babson

Outlook for Gold

I have made reference in these columns to inflation and to investment in gold stocks at this time. If we enter into real inflation, gold stocks will go up. They have already made advances; but if this country changes the price of gold, these stocks should go up much more. As U. S. laws forbid the purchase or sale of gold within this country as a commodity, investors are confined to buying the stock of gold mines. A few of these are in the United States; but most of our mines are fairly well worked out. Wise investors in gold stocks on this continent are confining themselves to Canadian mines with a long life.

When studying the statistics on gold I find that over one half of the Free World's gold comes from Africa. This gold is mostly from mines which are little heard of in this country. Certainly I do not intend to visit any gold or other mines and could not correctly judge them if I did. I will, however, be able to talk with men who do know the gold mines of Africa. Furthermore, these men will talk personally to me when they will not write frankly. If our country continues on its crazy spree of spending, some of these gold stocks should present a good chance to make an honest dollar.

Outlook for Copper

Are copper stocks now a bargain? Copper as a commodity has fallen in price during the past two years from around 40 to a present price of about 26. Sometime during this current crisis in the metal, copper stocks will reach their low point, if they have not already done so. My favorite stock is Phelps Dodge. This stock, however, has only declined from a price of 76 to around 55 today. Africa is a large producer of copper and may ultimately determine the price of the metal, and hence when to buy copper stocks.

I am taking with me a column on copper which I have already written and will correct while in South Africa; and I will then airmail a corrected copy. Let me add that three African copper stocks are already listed on the N. Y. Stock Exchange.

Uranium and Oil in Africa

There are a few good uranium investments in properties located in the U. S. on the Colorado Plateau; but most good uranium mines on this continent are in Canada. Your broker should be familiar with such properties. The greatest amount of uranium, however, is now coming from Africa. Your broker probably knows African uranium mines only by hearsay. I expect to get the actual facts.

Certain large corporations are now frantically drilling for oil in the Sahara Desert as a hedge against Near East losses. I must visit Africa because the African uranium is largely in the tailing dumps of existing gold mines. They do not have real uranium mines such as exist in Colorado and in Canada. I do not intend to visit these dumps or the very interesting diamond mines. However, I will be able to talk personally with men who do know the prospects for both African oil and uranium.

Watch De Gaulle Operate From Paris

If France did not have large oil and mineral holdings in Africa, de Gaulle would never have accepted the great responsibilities which he has assumed. He knows that Africa has become the great storehouse of the world. He believes that the nation which properly controls and develops Africa will be the world's greatest nation. De Gaulle plans on having the Paris Bourse take the place of the London Stock Exchange in connection with these mining and oil developments. I know Paris, and in fact once had an office there. One mission of my present trip to Africa is to ascertain how de Gaulle will succeed in his magnificent program and with what financial institutions he will work. He today is probably reading the life of Cecil Rhodes, which I have just finished reading.

Two With Scott, Bancroft

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert L. Coate and Katharine L. Hardie have become associated with Scott, Bancroft & Co., 235 Montgomery Street. Mr. Coate was formerly with Merrill Lynch, Pierce, Fenner & Smith. Miss Hardie was with Somerset Securities Corporation.

Opportunities and Challenges in Industry

By DON G. MITCHELL*

Chairman of the Board and President, Sylvania Electric Products, Inc.

Mr. Mitchell explains why he is convinced we are on the verge of an entirely new era of progress throughout the economy; credits business for ending the recession and sparking the recovery sooner than expected; and projects data depicting G.N.P. will be $449 billion by end of 1958, $500 billion by 1961 and $800-850 billion by 1975. The Sylvania head submits a five point program designed to aid the economy and urges businessmen to let their views on these points be made known. Emphasis is placed on the basic importance of inevitably increasing investment—automation—for economic growth, and a guess is made that business will spend more on automating the manufacturing plant and the office in the next five-six years than it has in past 25 years. Further, he stresses the computer's ability to do things we could not do before and to pay for itself.

I am far from being a conservative, and I like to think of new ways to meet new conditions. Consequently, a few weeks ago when I began mulling over in my mind what subject to discuss, I decided I ought to be reasonably conservative and not disruptive. But then I went on my annual trip to visit our British associate several weeks ago, and I changed my mind in a hurry. I learned that the Big Five in British banking had just decided that they would not only continue to let the British working man **deposit** money but for the first time in history, they would actually let him **borrow** some! **That did it.** And I decided that if British banking can go through that sort of agonizing reappraisal, there would be nothing wrong in my making some rather frank observations. They will be made with banking's best interests at heart, because I sincerely believe that there are some great opportunities ahead for the industry.

Don G. Mitchell

This economy of ours is about to take off in high gear again, and bankers will have the choice of individually aiding and encouraging that growth or being left at the starting line by the banks that are a little faster on their feet. To the aggressive, imaginative, and progressive bank will come more opportunities in the next five or 10 years than have prevailed in the past 25 or 30. If you think the past 10 years have been a period of amazing economic growth and development, just tighten your seat-belts for the next decade.

I would like to tell you why I am convinced that this country is on the verge of an entirely new era of progress throughout the economy—and that the banker's job and my job in the next few years will be more than simply **finding** opportunities, but of deciding **which** opportunity we should select. If we falter, if we lose courage, if we take refuge in conservatism and do things just the way we've always done them and forget about using more ingenuity and new ideas, then our competition will pull out in front and leave us scrambling for the odds and ends that are left.

I certainly am grateful that this is September, 1958, instead of 1957—because a year ago the storm clouds were gathering and the economic picture was cloudier than it had been since 1953. But here we are, only 12 months later, climbing out of a large-scale inventory adjustment that hit some sections of our economy relatively hard. After all, there isn't much inventory left to "adjust." You can't go on forever consuming more than you're producing, and that is precisely what we've been doing for the past year.

Sees Marked End of Year Recovery

To be more specific about the recovery, there is every indication that the 1957-58 adjustment has been only a little less severe than the recession of 1948-49 and 1953-54. However, the current recovery seems considerably sharper than the others — perhaps too sharp, from the standpoint of the dangers of inflation. The turnaround came in April and the Gross National Product hit $428 billion in the second quarter, and probably reached the rate of nearly $440 billion in the third. Now I'll lead with my chin with a prediction: I believe that the fourth quarter not only will exceed the previous record rate of $445½ billion in the third quarter of last year but will reach nearly $450 billion. That should be ample enough optimism for bankers to chew on.

What sparked the recovery?—**that** is the big question. It certainly wasn't generated by any artificial controls or de-controls. The "Fed" helped a little by relaxing some of the controls on credit a year ago, but that didn't do the job alone. Moreover, let's be thankful that Congress didn't get stampeded into voting a tax cut. And no one can give credit for the recovery to government spending; actual defense spending hasn't picked up that much, nor have we felt the impact of other government projects — the highway program, for example.

Tax Overhaul Not Tax Cut

Let's look more closely at that question of tax reductions for a moment. To my way of thinking, there was one of the most overinflated issues to come up the pike in many a year. From the standpoint of psychological effect, a cut in personal income taxes might have accomplished something, but I doubt it. From the standpoint of its economic impact, it would have been a very, very small drop in the bucket.

However, we have to be careful not to confuse an arbitrary short-term tax cut with a general overhauling of our entire tax structure. A drastic overhauling is long over-due and would provide a greater stimulant to our economic growth than anything else we can possibly do.

I firmly believe that every businessman in the country must keep hammering away at the necessity for doing five things:

Submits Five Point Program

(1) Give special tax concessions to new small businesses so that they can get their feet on the ground.

(2) Reduce the tax rates on corporate earnings so that industry new plant and equipment and can can plow back more money into spend more on research and new product development.

(3) Permit more liberal depreciation allowances so that industry can produce constantly better products with better machinery.

(4) Reduce those impossible rates on higher individual income brackets to make more risk capital available for the expansion of business and industry.

(5) Straighten out that nightmare of excise taxes and make them equitable and reasonable, so that the public can buy more with their dollars. If done properly, the revenue to the government would increase and offset some of the short-term reductions in other tax areas. I emphasize short-term because a more liberal tax structure would greatly increase Federal revenue in the long run.

My specific advice to each and every businessman is to let your Senators and your Congressmen know what you think on these matters, and ask them to place it No. 1 on the list for the next session of Congress. We businessmen have got to stop being bashful about making our views known on major issues. Other groups are campaigning forcefully and effectively and sometimes viciously for what they want. Let's get off the fence and stand up and fight for what we know is right and good for the continued growth of this country.

Business Cuts Sparked Recovery

Back in New York last May, there was a dramatic demonstration of what really sparked the recovery. That spark came from the strength and vitality of private enterprise. It was becoming increasingly apparent early in March that plenty of businessmen had rolled up their sleeves and were doing a terrific job of tightening up ship—and tightening it up in a way that had never been done before. They were doing far more than the old-fashioned job of axe-swinging and arbitrary cost-cutting to bring things in line. In industry after industry they were doing an intelligent job and a carefully thought out job of beating the recession. At one of our American Management Association board meetings, we decided that it was time that businessmen not only received the credit they deserved, but that the leaders in various businesses should show the rest of industry what could be done and spark them toward doing the same thing.

We called a two-day Economic Mobilization Conference and brought together more than 2,000 business leaders from all over the United States and Canada. These were the chief executives and the top management people — the "Who's Who" of American and Canadian industry. During the two-day session, 16 top-level business leaders from a wide variety of industry, with a total employment of more than 1½ million, and sales approximating $18 billion, put the facts on the line. They spelled out precisely what they were doing to beat the recession. Looking back, we now know that the bottom of the recession had been reached during April, but by putting the facts on the line, these businessmen gave the recovery that vital extra spark. And then as dramatic proof of the Administration's high regard for the job these businessmen were doing, Vice-President Nixon took over as conference Chairman of the final session, and President Eisenhower gave the keynote address. There was a resounding endorsement if I ever heard one.

This was no conference loaded with platitudes and high-sounding phrases—a lot of "big talk" and very little "do." These businessmen described their concrete plans of action—their recovery programs—and they reached into such vital areas as cost controls, market development, pricing, capital improvements, how to streamline and at the same time strengthen your organization, and right down the line. You can readily see that all of us had in mind the inescapable fact that the way to beat the recession was to buckle down and get the fat, inefficiencies, and softness out of our systems and bear down hard on the problem at hand. Down deep, every one of us knew full well that we had had pretty smooth sailing ever since the end of the war, barring a little adjustment here and there, and that this recession was really the first time in postwar years that we were faced with the necessity for taking a longer and harder look at our entire operations than ever before, and then doing something about them.

Industry has done a terrific job of cutting costs and improving efficiencies during this recession. And do you know why we were able to do it, and why the recovery got under way faster than any of the economic experts thought it would? It happened because our plants and equipment were in top shape. We were equipped to do a job. And the companies with the best plants and equipment are the ones who are coming back first—for one reason: their costs are competitive.

Sees Upward Capital Spending Thrust

Since the end the war, most of us in industry have spent the greater portion of our time building our organizations and expanding our capacity, and we didn't have any choice. We spent more money on new plant and equipment than ever before in our history. If we hadn't we would have ended up in the cellar, because our competition sure as shooting wasn't standing still. However, capacity periodically pulls ahead of demand, and you have to slow down your capital spending. That is precisely what triggered off the recession last year. But the two are back in phase again, and capital spending should begin to turn upward by year-end, and I wouldn't be surprised to see it reach the annual rate of $31 billion in the fourth quarter.

Some of you undoubtedly have the impression that a businessman is never happier than when he is making capital expenditures. You are absolutely right. You make money by spending money. At the same time, we have a very sacred cow — "return on investment." We eat by it, we sleep by it, and we keep reminding ourselves about it. And when we tend to relax and forget about it, the financial vice-president and the treasurer step right in and remind us.

Where does all the money go? Taking manufacturing industry as a whole, about half of it goes for new plant and about half for ew equipment. For three or four years after the war, about 60% or more of the total went for expansion, but the balance gradually shifted, and this year the percentages are reversed — 60% or more for relacement of obsolete facilties and 40% for expansion, and that shift came primarily because of the business adjustment.

Must Invest to Survive

Regardless of what the percentages are, however, that total is going to keep on climbing. It will have to keep on climbing if we want to keep increasing and improving our productive capacity, which is the very key to the continued growth of our economy and our standard of living. You will note I said **increase** and **improve** our productive capacity. Making **more** of something is only part of the story; we must make greater quantities at **lower** and **lower** unit cost in order to build our markets. Not only that, but we must develop new products and new ways of making them — all of it in the face of a technology that is producing increasingly complicated products to perform all the jobs we expect of them.

You can wrap up this entire subject under the word "automation"—the need for a broader and broader use of mechanical and electronic equipment **to help men do their jobs — not** to displace them, but to extend the breadth of man's **mind** and the power of his **hands.**

That word "automation" scares some people. They envision man being thrown out of work and the few remaining emloyees being relegated to becoming a sort of baby sitter to a huge and complicated machine—oiling it here, and tightening a nut there. What they forget is that machines remove **drudgery;** they don't remove **jobs.** They **create** jobs.

Automation in Manufacturing and the Office

Let's look at automation in the manufacturing plant, and then in the office—in other words, manufacturing automation and administrative automation. In those two areas, I will hazard a guess that American business will make larger capital expenditures in the next five or six years than it has made in the past 25—and that goes not only for manufacturing industry, but banks and transportation and the entire wide range of service industries. In these competitive days, it is a matter of survival. Those who don't make new capital expenditures will see their business and their investment washed down the drain by obsolescence. I could name some fairly prominent companies that found themselves in that situation.

Present-day plants and equipment could never begin to do all of the work that will be required in the years ahead. This presents an enormous planning problem to every businessman in this country. The backdrop against which we in industry are looking at the future is this: **The rate of automation will have to be increased, let alone maintained, if we are to**

***An address by Mr. Mitchell at the First General Session of the 84th Annual Convention of the American Bankers Association, Chicago, Ill., Sept. 23, 1958.**

meet the future demands of our customers.

By the end of this year, we should hit a new record Gross National Product of $449 billion. By 1961, we should be getting up near $500 billion, and I wouldn't be surprised to see it nearing $600 billion within 10 years. And projecting the trends ahead 20 years, we could well achieve a Gross National Product of $800 to $850 billion by 1975.

These figures are purely and simply a projection of existing trends of existing demands. They are conservative, if anything. But the only way these potential demands can be met will be through increasing our use of machines, let alone maintaining the rate we have today. There won't be enough people in the working force to meet the steadily increasing demands for goods and services. What I am really saying is this: **Let alone create more jobs, automation must eliminate some 20 million jobs over the next 20 years** because there won't be anybody to fill them. Not only that, but more and more automation is the only way we will be able to fight inflation by counteracting the rising costs of doing business. That is the task facing industry in the years ahead, and it's going to require enormous amounts of new capital.

Now look at the administrative side of the business, including the banking business. The cost of clerical employment in industry and commerce has been estimated at nearly $30 billion, and it is still rising. Fifteen years ago, there were some five million clerical employees, or about 11 for each 100 manufacturing employees. Today there are upwards of twice that number, and the ratio is more than 16 for each 100 manufacturing employees, and that percentage is growing. That is the story in a nutshell. Business has become so complex in every phase of its operations that better, faster ways of doing administrative work are becoming increasingly necessary. Again, there won't be enough people to do the job and we will find it necessary to make broader and broader use of machines.

Computer's Crucial Importance

I can't go much farther in my remarks without saying something about the computer, because it is the heart of administrative automation. As some bankers already know from personal experience, the computer is the most compelling and far-reaching phenomenon to confront us for a long, long time. To may way of thinking, the computer is not simply an electronic gadget, it embraces the whole field of electronics. It is to electronics what the engine is to locomotion, whether you are thinking about an automobile, or an airplane, or a train, or anything else.

Ingenious as the computer is, however, **it is not a cure-all.** It's a tool, and that's all. A computer cannot thing, although it certainly comes amazingly close to it—so close, in fact, that it fools people. But if you ask a computer a silly question, you'll get back a mighty silly answer. However, from the standpoint of members of banking management, the computer **can extend your business procedures, systems, and planning to a degree of skill, speed, and effectiveness that has never been even remotely achieved to date.**

In looking at computers, you have to keep in mind one extremely important point: It is not simply a question of what the computer will do better or faster. I like to regard those as the **immediate** payoffs to the substantial sums that a computer and a data processing system cost. Increased speed, and the elimination of paperwork drudgery, are the quick payoffs. **Far more important, however, is the opportunity to do things we have never been able to do before, or have never thought even existed before.**

At Sylvania we have found plenty of things we can do better, faster, and less expensively through automatic data processing. In April 1956, we placed in operation our figure factory near Syracuse, N. Y., and a nationwide communciations network. This Data Processing Center represents an investment of close to $4 million when you include starting-up charges. We're now doing Company-wide payroll, accounts payable, receivables, and so on. And we've doing some things we've never been able to do before. But here's the real payoff: We are beginning to see opportunities we didn't even know existed — market analysis and sales statistics are particularly fruitful areas. Furthermore, we're in the black—the system is more than paying its own way, and we're moving toward the savings upon which we based the entire project in the first place.

Now that you have seen some of the benefits you can get out of automating your paperwork, let me throw an even meatier bone to you. One of the outgrowths of industrial mechanization, particularly during the past 10 years, has been the enormous expansion of the distribution and service industry—the wholesalers, jobbers, and the retail and service outlets in your communities—in other words, the local business people who bring all of industry's products to the consumer.

Electronics Distribution and Service Growth

This year, total sales and revenues in the electronics distribution and service business alone should reach $3¾ billion, (that's about 10 times what it was 10 years ago) and it will add another billion by 1961 and reach nearly $7 billion by 1966—or double what it is today. This rate of growth will bring with it plenty of financial problems for the local businessman, but by the same token, it will bring a great opportunity for the banking business to help these enterprises in your local communities to grow and prosper.

Whereas I certainly don't advocate pouring money down a rathole, I want to say again that the **way to make money is to spend money.** Bankers throughout the country are assuring the growth and prosperity of their communities by rolling up their sleeves and taking an aggressive and imaginative approach to the many business opportunities available them. As I travel around the country, I notice that the leading bankers have developed a more realistic willingness to take reasonable risks, because they have found that taking reasonable risks is the way you get ahead in any business—banking included. I am sure you will admit that this progressive point of view hasn't yet penetrated to some communities, and in some areas industry found that it had to do the financial job itself, not because it is our logical role but because we **had** to, in order to keep our distributors in business.

However, these local businesses need even more than financial help. I don't know of a better way to provide real collateral for a loan than to do everything you can to make the borrower's business successful. More and more banks have business development departments, or you might even call them business advisory and encouragement departments, and one of their prime objectives is to help their clients insure not only a good financial control over the funds already invested in the business but to plan their future needs.

Banks Must Lend a Hand

Manufacturers and bankers must remember that experience in business is the exception rather than the rule in many of these young local enterprises, and there is no reason they have to learn the hard way. My suggestion is for a specific program of helping them obtain a good return on their investment, and that can come only when they have sound accounting practices, good inventory control, good control of receivables and the extension of credit, sound investment in real estate, and so on.

Someone might feel this was extending a banking service too far, but to me it is simply customer service . . . and when you **stop thinking about customer service,** your customers will stop thinking about you.

Predicts Boom to Electronics

The economic growth I have been describing will take place throughout the economy—but one industry will out-pace all the others in the opportunities it will bring the banking business—**electronics.** Here, without question, is the fastest growing major industry in the world. It has doubled since the end of the war and is well on its way toward doubling again—and this time the interval will be less than 10 years. I don't care what industrial or commercial field you have in mind, each one is destined to go through an **electronic** revolution in the next decade.

Home electronics has boomed with television, and National Defense is becoming increasingly electronified, but the big untapped reservoir is the commercial and industrial market, both from the standpoint of the way a product is produced and the end product itself. Whether you have in mind steel-rolling, or food processing, or transportation, or communications, the heart of these activities will be an electronic gadget of some sort. It may be a microwave communications network or some process control device, or foolproof airway navigation, but it will be **electronic.**

To sense the possibilities, all you need do is look at National Defense. There not only is equipment which would counteract enemy radar, but there are counter-countermeasures to the enemy's countermeasures. In home electronics we are getting nearer and nearer to flat-wall pictures—not tomorrow, but not too far away—and soon, radar steering will take over your automobile. You will have wireless electric circuits in your home, and there will be electronic still and motion picture cameras. And that is only the beginning.

There will be plenty of ups and downs as this progress unfolds in the years ahead. After all, this is a dynamic economy, and there will always be some things that we will not be able to predict or to counteract. But the underlying strength of this growth will be determined to a great extent by the financial planning that bankers and businessmen do. The days of restricting planning to short-term objectives and doing it by too much reliance on intuition and guesswork are long since gone forever. Planning must look at least four or five years ahead—it must be systematic—and the plans must be **used,** and not filed away in the financial department and forgotten.

Just as in the case of industry, the banking business has received its share of blame for some things that have happened in the past. At the same time, however, you and we are now getting a reasonable share of credit for the things we do well. Let's make sure that we earn all the more credit in the future. The opportunities will be there. It is entirely up to us whether or not we will take advantage of them.

Maurice Hart Leaves On European Tour

Maurice Hart, Vice-President of the New York Hanseatic Corporation, 120 Broadway, New York City, leaves on Sept. 27 for an extended business trip to Europe where he will visit the financial centers in England, Holland, Belgium, France, Switzerland and Italy.

Maurice Hart

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Joseph C. Morey has become affiliated with Harris, Upham & Co., 232 Montgomery Street.

With Henry A. Young

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — George K. Knox is now with Henry A. Young & Co., 155 Montgomery Street.

What's Ahead for Real Estate?

By JAMES C. DOWNS, JR.*

Chairman of the Board of the Real Estate Research Corporation, Chicago

Specialist sees no real estate depression in the offing but he pessimistically warns that the real estate markets will weaken further in the next few months unless current optimism is translated into higher employment. The Chicago analyst claims housing supply rate so far in 1958 is at a faster rate than a year ago even though total housing demand has been less. He predicts that no real market strength would develop in the typical metropolitan area until second quarter of 1959 and notes that mortgage money rates are on the way up; expresses bullishness about commercial and farm real estate outlook but is doubtful concerning industrial plant expansion; and declares urban labor force employment growth is the key to real estate's future. Calls attention to changing attitude towards fixed investments.

If we can answer three questions, we can tell pretty well what is going to happen to real estate investments and real estate men.

James C. Downs, Jr.

The first of those questions is what is the outlook for general business, because, after all, real estate is sort of a comedian — it reflects what goes on — and unless consumers are able to buy real estate, unless businesses are healthy enough to buy it, unless industry is expanding and, thus, buys it, we do not do well.

The second thing we are interested in is the outlook for mortgage money. After all, almost all real estate buyers in the United States haven't enough money in the world to pay for the purchase they make in real estate. The only way they are able to buy it is to be able to borrow money on terms which are satisfactory to them. Thus, we are interested in both the availability and the cost of the value of the money they may borrow.

The third thing we must know is the supply and demand relationships in the individual markets which make up the broad term of real estate. I would like to make some observations on what general business may mean to real estate in the year ahead.

From a purely real estate point of view, that is, from the point of view of residential real estate now particularly, we are interested in general business for one end result: How many customers are there going to be, how much money are they going to have, and what is their attitude going to be towards purchase?

Employment Is the Key

The urban labor force is the guts of real estate, to use a word that my mother always despised. The fact is that just at the moment we are in a rash of national optimism. Stock market figures are impressive and market prices are going up. Indices of production are climbing up. Generally speaking, people are of the opinion that a new high-level prosperity is around the corner.

But as beguiling as these facts are, they are not being reflected at this moment in a change in the trends in the labor force. For example, we are seeing some expansion in industrial production at this moment, but not too much expansion in industrial employment.

The fact is that when we consider the present real estate situation, as we will shortly, we must translate this into growth of labor force in local communities, and we are not currently getting that growth.

Post-Korean Record

In 1952, we were in the beginning of the post-Korean adjustment.

We had a big bulge in 1950, and we had a followthrough on that bulge, but towards the end of 1951 we began to see a reaction to the Korean situation. At that time, our prediction was that the market would be strengthened in 1953; that we would have further inflation ahead because of political intervention. As we look at the outlook at this moment, it seems to me that business, general business, is going to get better, but it will not be proportionately reflected in employment in the balance of this year. We have an election this Fall. The indications are, by most political analysts, that this election will result in a substantial swing toward the Democratic Party in terms of the Congress.

Actually, what the voters are saying in these elections and what they will say in the next elections are two things, principally: (1) they don't like the present level of unemployment; and (2) they don't like the trend of world politics.

Depends on Washington

As forecasters of business, at least it has been my experience that a man has a greater chance of being accurate if he can forecast what is going on in Washington than he does if he can forecast what is going to go on in the basic statistics. Our forecast is that as a result of the elections this Fall, there well be a new stimulus in the Congress in the first portion of next year to produce a better climate in terms of local employment, which will carry with it stimuli in the form of new construction, and which will carry with it stimuli in the form of easier money rates.

In any event, as we analyze the business outlook at the present moment, what we believe is that we will see a gradual but slow strengthening of the employment markets, but that in the balance of this year it will not be created as rapidly as new housing supplies.

Mortgage Money Outlook

Now let us give attention to the second question we have. In the past ten months, we have, witnessed the most tortuous gyrations of the money rate that have ever been experienced in any like period in the history of this economy. Last November, our index of the effective borrowing rate for real estate borrowers for the nation stood at 6.19%. Last month it stood at 5.41%. Basic money markets, which began to go down last November, hit their bottom in about May; and since May have been going up.

But basic money rates are not always exactly the same as mortgage rates. There are two factors in mortgage rates. One is basic money rates. If you take the high-grade bond rate and, let us say, for example, that it was at 3%, the mortgage rate is established by what we call the mortgage money margin: The mortgage money margin over basic money rates may go from a historical low, which is very seldom achieved, of ¾ of 1%, to a high of over 2%, so that the mortgage rate, if basic money rates are 3%, may be anywhere from 3¾, which is unlikely, up to over 5½%, which margin is also unlikely. But what has happened in the last several months is that whereas money rates reached their low, that is, reached their low in May and then started to go up, mortgage money rates didn't reach their low until last month because the margin was squeezed.

The very high incidence of savings, the fact that in the savings of this country there is a greater and greater tendency to invest these savings in real estate, there is a greater likelihood that a dollar saved by John Q. Public will find the highest percentage of that dollar going into real estate loans that has ever been experienced in this country, has produced a competitive situation which enabled mortgage money rates to resist the upward trend of basic money rates, and to have a lag in their follow-up, which is only now being erased.

Sees Rates Going Up

Our belief is that in the next several months mortgage money rates will reflect the trends that are now being exhibited in basic money markets, and will raise rather sharply, not to their high of last November, but not too far away from it.

I happen to be one real estate economist that practices what I preach. I have told every audience that I have addressed since 1950 that they ought to buy land, if they could, and that I wanted to buy land. But I know enough about land economics to know you shouldn't ever buy land unless you had a use for it. In order to have a use for it, I went into the building business and became a national homes dealer, the prefabricated outfit, and we put up houses. Last November we were paying 13 points discount for GI money. We had the money, but it was costing us 13 points. We got down to the best deal we made this year at 4 points. We are now notified by National Home Acceptance that our current rate is 8 points and may be 9 points. My own feeling is that it may go above that. We know of the 9 points now scheduled.

The fact is that money rates for mortgage lending are on the way up for the balance, we believe, of this year. Actually, money rates are more nearly affected by politics now, and it is now a more demonstrable theorem that money rates are controlled by politics than the effort was before. If the election mandate is what it appears now to be, the facts are that there will be a push for loan money rates next year so that the money rates that you now will experienced in the last several months of this year are just as ephemeral as the money rates you experienced in the beginning of this year.

People's Faith in the Dollar

One of the difficulties of these wildly gyrating money rate situations is that you can't adjust the cost of your savings as rapidly as you must adjust the low income which you experienced as the result of the operation of your portfolio. I think it is worth saying also that as we look at money today we have to admit, I believe, that there is a gradual erosion of the attitude of people, of sophisticated people, towards the fixed dollar. I agree 100% with those who say that the savers of the country as a whole are not at a point where they have a distrust view of dollars. As a matter of fact, their trust view of dollars is extraordinary. We have had an orderly expansion of the inflationary move. But the people who put their money in your savings accounts have just as much confidence in a fixed dollar as they ever did before. You can set up a desk right outside of your saving teller's window, and you can try to beguile them with investments in common stocks and you wouldn't get 1% of them to go along with you.

On the other hand, behind these consumer savings are other people, the sophisticated investors. I happen to be associated with a trust company. We have taken a rather conservative view of the opportunities and possibilities of the stock market in the last several months, being of the opinion that the stock market was relatively high priced. We have found that people are restive under such an attitude, that they want to get into the stock market, that there is a generally accepted sophisticated feeling that fixed dollar investments are for the birds.

This, in my opinion, is gradually growing in these United States, and has impact not so much on the money that bankers are taking in from savers who are over the long run still going to be in a high level of prosperity, but in the basic movement of money rates that bankers must contend with in the final analysis.

Sees Continued High Savings Rate

In any event, we are anticipating that a high level of savings will continue, that a high percentage of these savings, as invested, will find their way into real estate, but that there will be some queasiness on the part of the market to go into real estate to the degree that we have experienced in the last several years. This brings me to the third thing I wanted to discuss; that is, real estate itself.

Real Estate Outlook

Nineteen fifty-eight has been the second year of a declining volume of real estate sales. 1957 was not as good for the average real estate broker as 1956 was, except on the West Coast where 1957 records were made. In most of the balance of the country, 1958 has seen a decline of somewhere between 10% and 20% in the volume of real estate transactions in this country over 1957, and we are down now somewhere in the order of 25% in the volume of transactions from 1956.

During this period, we have continued to add to the supply of real estate in this country. For example, we have had a bulge in starts this year to a latest adjusted level of about 1,170,000 starts. Last year we had a good year in construction of 1 million starts or more. The probabilities are that this bulge will slow down in the last several months of this year, because of the money rates we talked about, but we have seen a substantial activity on the part of consumers in the low end of the markets in the purchase of new houses.

The average builder, building today on a sound market basis still sells his houses before he starts them. The consumer is being beguiled today by a house and the housing unit which is the greatest obsolescence creator that we have seen on the market. Unless you have seen the new houses, you do not know what a terrific attraction they are offering in today's market, both as to space, as to design, as to equipment, and as to terms; whereas, there are many people in this economy that are impacted by the unemployment, the bulk of them are still working at the highest level of income they have ever experienced. Therefore, they are buying and buying rapidly. The real impact has been felt by the existing house, the house in bulk on which bankers have their mortgages.

The single-family house, which represents 80% of all real estate transactions, is the most important single aspect of the market to most mortgage investors. But there are other factors of the market. One of these is rental housing. In this period when we have not added new jobs in your community, for in the average community in the United States today there are fewer jobs filled than there were a year ago, and jobs are what makes consumers, we have seen an increase in vacancy, not an alarming increase but a steady and gradual increase. We have seen a decline in spot selling prices, and we have seen almost a cessation of the rise in residential rents. Notwithstanding this fact, we are bullish on

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*From a talk by Mr. Downs before the Savings and Mortgage Division of the American Bankers Association's 84th annual convention, Chicago, Ill., Sept. 22, 1958.

A Rise in Price of Gold Means Uncontrollable Inflation

By PAUL EINZIG

Completely reversing himself, Dr. Einzig explains why he no longer favors raising the mint price of gold. The widely respected monetary economist concludes that the fixed price of gold and inadequacy of British gold reserve compelled the British Government from time to time to check itself—which would not have occurred if gold price manipulation were resorted to—and predicts that a U. S. A. rise in price of gold would enable the free world to embark on a period of reckless and irresponsible inflation with all its economic and social consequences.

LONDON, England—There has been a revival of agitation for an increase in the dollar price of gold. Judging by the firm tone of gold mining shares on the London Stock Exchange, it must be widely expected that something will be done in that sense, possibly at the impending annual meeting of the International Monetary Fund. Owing to the recession in the United States, it is argued, the Washington Administration is likely to feel inclined to take a decision in that sense, and Congress is likely to favor a measure calculated to result in reflation. Moreover, it is pointed out, the net gold reserve of the United States (after deduction of the foreign-owned deposits and balances) is now relatively small, and there is strong temptation to write it up by raising the price of gold.

Dr. Paul Einzig

Mr. Roy Harrod, in a recent article appearing in *Optima*, advocated the increase of the official American price of gold to the fantastic figure of $100 an ounce. The bookkeeping profit on such a transaction would wipe out the huge budgetary deficit with a stroke of the pen. The possibility of this further reinforces the extent of the temptation to raise the price, and the anticipation that the United States Government might yield to the temptation.

The majority of responsible British opinion views the bare possibility of such a step with concern, and considers it unlikely that the United States authorities would decide in its favor. Britain and all other participating countries in the International Monetary Fund are of course directly concerned, because an increase in the dollar price of gold would necessitate a corresponding upward adjustment of their gold parities. Such a move would rip open the floodgates of uncontrollable inflation.

No Longer Supports Higher Gold Price

Beyond doubt the arguments in favor of a higher gold price are very strong also from a British point of view. The Commonwealth is still the largest gold producer, and a higher dollar price of gold would greatly assist the balance of payments of the Sterling Area. Moreover, the British gold reserve would become more than adequate for covering normal requirements and for providing a reserve for emergencies. The change would stimulate gold production and would bring new prosperity to the gold producing countries. It is because of these and other considerations that I was for many years a strong supporter of a higher gold price. The reason why I have changed my views lies in the realization of the extent to which the stability of the gold price tends to prevent runaway inflation. After careful consideration of the arguments for and against an increase I came to the conclusion that on balance its evil effects would greatly outweigh its beneficial effects.

Should the official American buying price of gold be raised to $100 or even to a much lower figure, it would simply make the world safe for unfettered inflation. It would enable the Governments to inflate with comparative impunity. The British Government could afford to forget about the balance of payments and indulge in overspending and large-scale credit expansion. The inflationary wage spiral could be stepped up. There would be a maximum of temptation and a maximum of opportunity for trade unions to demand unreasonable, unjustified and unearned wage increases, and for employers to concede them with a song in their hearts, passing on the cost to the consumer as a matter of course.

Praises Checkrein Function

During the postwar period the fixed dollar price of gold was Britain's only defense against runaway inflation. It was admittedly not a very strong defense. But the inadequacy of the gold reserve did compel the Government from time to time to call a halt to the orgy of inflation. It is easy to imagine what would have happened if the American price of gold had been raised to $100 or anything like a few years ago. The increase of the dollar value of the British gold reserve, and of the proceeds of the current gold output in the Sterling Area, would have obviated the necessity for the series of disinflationary measures adopted by the successive Chancellors of the Exchequer. They all resorted to these measures with the utmost reluctance, under the inexorable pressure of the decline in the gold reserve. In the absence of a fear that their reserves might fall below danger level they would have allowed the cost of living to increase at an accelerated pace without doing anything unpopular about it.

As the increase in the dollar price of gold would have created world-wide inflation there would have been no reason why the British balance of payments should have been affected to any particular degree. In any case, Britain could have afforded to lose gold. Britain, and other similarly placed countries, could have inflated on an even larger scale than they had actually inflated. Needless to say, by now the rise in prices would have largely absorbed the bookkeeping increase in the gold reserves, and the international liquidity position would be not much better than it is now.

Warns Against U. S. A. Price Rise

Should the United States Government increase the dollar price of gold it would enable the free world to embark on a period of reckless, irresponsible inflation with all its economic and social consequences. Sooner or later it would become necessary to call a halt, after the absorption of the bookkeeping increase in gold reserves. The steep increase in prices would then call for very drastic deflationary measures with incalculable consequences.

Irving Lundborg Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John J. Donovan has been added to the staff of Irving Lundborg & Co., 310 Sansome Street, members of the New York and Pacific Coast Stock Exchanges.

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DENVER, Colo. — Henry J. Clouthier has joined the staff of Liberty Investment Company, 511 16th Street.

With Shaiman Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Polito Martinez, Jr. is now with Shaiman and Company, Boston Building.

McCormick Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William J. Dunn has been added to the staff of McCormick & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was previously with Stein, Roe & Farnham.

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Twenty-Five Years —Past and Future

that new capital requirements, when they appear, will be met. On the other hand, there are many banks with insufficient capital even by today's standards; and there is too large a number of banks with dangerously little capital. An illustration of this last kind of bank is found in a survey we recently completed, measuring bank capital relative to assets at risk. Assets at risk are defined as those assets remaining after deducting cash and cash balances, United States Government obligations, and all loans insured or guaranteed by agencies of the Federal Government. We found that there were 200 banks with capital ranging from 5 to 9% of these assets at risk. These banks had total deposits of over $3 billion, of which about $2 billion was insured. Notice what this implies. Even a 2 or 3% loss on just risk assets would seriously impair the capital of these banks, whereas a 5 or 10% decline in the value of these assets would undoubtedly result in their closing. Of course, I do not want to imply by this that the only proper measure of the adequacy of bank capital is that which relates capital to risk assets. The figures I have cited are simply intended to illustrate one aspect of the capital problem.

In this next quarter-century, we anticipate that the deposit insurance fund of the Federal Deposit Insurance Corporation will continue to grow, both in dollar amount and in relation to total deposits in insured banks. The latter growth will come quite slowly and may be interrupted if at any time there is more than the usual number of bank failures. The amount of the deposit insurance fund relative to total deposits is no larger today than it was at the end of the first year of operation of the Corporation; and relative to insured deposits, the fund is considerably smaller than in 1934.

My point in mentioning the anticipated growth in the deposit insurance fund is to remind you that the fund does not serve, and was never intended to serve, as a substitute for bank capital. As I have pointed out on other occasions, only so long as the banking system shoulders the main burden of protecting depositors against loss can the fund be as small as it is, and the assessment rate remain as low as it is. Losses which occur in the ordinary business of banking are absorbed by bank capital. The deposit insurance fund stands as a kind of mobile capital, to be used speedily and at the point needed whenever there is a breakdown in the banking system. In this way, it is intended that banking difficulties be stopped before they can grow to catastrophic proportions. Thus the deposit insurance fund is a second line of defense, standing behind the capitalization of the banking system; it supplements that capitalization, but it can never replace it.

Underbanked Areas

The past 25 years have seen a truly remarkable growth in both the number and assets of the so-called nonbank financial institutions. I refer, of course, to such institutions as private life insurance companies, savings and loan associations, credit unions, and personal finance companies. Many of these institutions are doing a business and meeting needs which could be done as well, if not better, by banks. There is no question that to a certain extent their growth has reflected the fact that in one way or another they are not subject to the various restrictions applied to banks. However, another reason for their growth is almost certainly the failure of banks to meet the financial needs of the public as rapidly or as conveniently as these institutions have been able to do.

I am willing to concede that overly-cautious bank supervision may have been a factor in this development, in the sense that supervisors have been concerned for so long with the possibility of a return of an overbanked situation, similar to that of the 1920's, that we may have overlooked the fact that, in some areas of the country at least, we have today what amounts to an underbanked situation.

Banks must also shoulder a part of this blame. Take the question of savings deposits, for example. Institutions such as credit unions and savings and loan companies have aggressively sought the surplus funds of individuals, and succeeded well in their efforts. The failure of banks to compete in this area was only partly a consequence of regulation, since for a long time many banks actively discouraged savings deposits.

Electronics and Management

Economic growth during the next quarter-century, and the attendant increase in bank opportunities, will increase the already heavy volume of paper work done by banks. In the past, this type of work has required the time of a large proportion of bank employees; and a considerable amount of space has been devoted to activities such as check sorting and record keeping. It appears that within a few years much of this will be changed through the application of electronics to bank accounting. We cannot foresee just what this will require in the way of equipment, which is still being developed, nor how the smaller banks will be able to make full use of these electronic marvels; but within a few years, present accounting methods will doubtless appear very old-fashioned.

With the application of electronic equipment to bank accounting, both space and personnel will become available for rendering more and better service to the banks' customers. Employees will be released from many of the most tedious tasks, and persons with the necessary technical training will be required in order to secure the maximum benefits from the new equipment. Officers will find that more information can be made available to them with less time lag. The need will be great for well trained, alert officers who can correctly interpret and act on the data provided.

I have been pleased to observe the interest shown in recent years by a number of banks in the problem of management succession. I wish only that every bank would recognize and deal with this problem. Management succession involves more than simply attracting to the bank a few promising young men and, as the years pass, advancing them to positions of progressively greater responsibilities. The bank must first determine the qualifications — professional, technical, and administrative—which will be needed by bank officers in the future. These men must then be motivated properly, given the opportunity to develop the qualities needed by top officers, and their achievements recognized and adequately rewarded. Every bank should have such a program.

On-the-job training alone is not adequate for bank officers of the future. Organized professional education must play an important part in this program. In this respect the banking industry has been truly a pioneer. American Institute of Banking courses, along with the various facilities offered by graduate banking schools, have been of immense value to bankers and to the public. The American Bankers Association deserves great credit for this far-seeing educational development. Of course, one can hardly mention this aspect of banking without paying tribute to the late Dr. Harold Stonier, who served for many years as national educational director of the American Institute of Banking, and who established The Graduate School of Banking at Rutgers University, serving over the years as its director and then as its dean. I cannot improve on some words included in a resolution adopted by the American Bankers Association at the time of Dr. Stonier's retirement from the Association: "Few men over the years contributed more to the present soundness and high public esteem of the banking structure of this country. American banking, for years to come, will carry the deep impress of Hal Stonier."

The problem of management succession concerns me because it is quite apparent that one of the major causes of the large number of bank mergers and absorptions within recent years has been the failure of bankers to provide for their successors. In a survey made of the number of applications for bank mergers received over a six-year period, we found that in approximately one-fourth of the cases, death, age, ill health, or retirement of the leading officer of the bank was the chief motivation underlying its sale. This suggests that many mergers might not have taken place had there been a qualified management available to continue operating the bank.

Changing Banking Structure

Mention of bank mergers brings me to another problem which will be accentuated during the next quarter-century — that involving the basic structure of our banking sytem. It is apparent to any observer that fundamental changes are taking place and will continue. Except for a few years after World War II when there was a flurry of new bank organizations, the number of banks in this country has had a downward trend which has persisted now for almost 40 years. There were approximately 30,000 banks operating in 1920; but this number declined during the latter of 1920's because of the large numbers of mergers and of failures, fell precipitously from 1930-33 during the banking collapse, and has been declining slowly but more less steadily ever since. The decline in recent years has been due primarily to the large numbers of mergers and consolidations. Today there are fewer banks in this country than operated in 1904.

Partially offsetting this downward trend in the number of banks has been the rise in branch banking, from about 1,500 in the early 1920's to 3,000 in the early 1930's to about 8,800 in 1957. Today branches comprise about 38% of all banking offices, where as they made up only 16% at the time the Corporation began operations, and only 4% of the total in 1920.

One interesting development in this connection is that, despite the growth in branch banking, a growth which in recent years has made possible regular increases in the total number of banking offices, these increases in banking facilities have not kept pace with the growth in population. In 1920 there was one banking office for every 3,000 people in this country; by 1933 there was one for every 7,000 people, and today there is one office serving 7,500 people.

In view of the duration and persistency of the trends I have just described, it is reasonable to anticipate their continuation during the next 25 years. Yet if this is to be the case, it is clear that we may have a number of difficult questions to answer. For example, should the merger trend be slowed and, if so, by what means? Many mergers are due to quite natural circumstances, such as the desire of banks to expand and thereby improve facilties, make feasible the utilization of new techniques and equipment, and in general offer better service to the public. Often, competition is strengthened, rather than weakened, through a merger. However, it is also true that some mergers can reduce competition unduly, without offering much if any additional benefit to the banking public. The line here is very difficult to draw: but if it is to be drawn, it must be by those thoroughly familiar with all aspects of the banking situation. The Corporation has supported, and continues to support, legislation which will place in the hands of the bank supervisory agencies more effective tools for preserving the competitive nature of our banking system.

I wish that with respect to this question, as well as to the other problems described earlier, it would be possible to make a precise prediction of what will happen, and tell you the specific manner in which the Federal Deposit Insurance Corporation will react. I cannot do this. Therefore, I should like to close this discussion by leaving this thought: Tremendous changes are in store for the next quarter of a century; of that we may feel certain. We must be prepared to accept and encourage changes which will contribute to the maintainance and growth of our free economy. Great skill and judgment on the part of bankers will be required if the banking system is to play its proper part in our expanding economy. We count upon all of you to face, accept, and master the challenge.

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year ago, economic discussion centered on the expenditure reductions of the first session of the 85th Congress, with strong competition among those who sought to be credited with the reductions. The launching of the Russian Sputnik and the decline of business activity in the late fall of 1957 and early 1958 generated strong demands for either a tremendous expansion of governmental expenditures or massive tax reduction—or both. Such actions could have led to serious long-range effects. Today, a scant few months later, we are talking about inflation, the size of prospective deficits, and — again— efforts toward the reduction of governnmental expenditures.

These rapidly changing events and points of view do not, however, obscure the basic philosophy of a nation that is resolved to be militarily strong, economically sound, and dedicated to the achievement of progress in terms of real goods and services within the framework of our cherished freedoms. Certain principles we accept as basic, despite wide variations in attitudes toward the needs of the moment.

Five Basic Principles

Among these are that:

We will continue to maintain the integrity of our currency.

We will operate the Federal Government at a minimum cost consistent with our national defense and domestic responsibilities.

We will continue to recognize there is no escape from the payments of debts which are created.

We will see to it that each generation does, so far as possible, carry its own burdens.

We will firmly adhere to the simple proposition that nations as well as individuals must carefully budget their resources and their expenditures in relationship to an enduring future of stable growth rather than on the basic of wide fluctuations of a short-term nature.

We are emerging from a period of recession. None of us is wise enough to know with exactness the rate of economic growth that lies ahead. What we seek to achieve is a sustainable rate of growth in terms of lasting jobs and real goods and dollars which maintain their purchasing power. The current resumption of growth we are experiencing is a demonstration of great resiliency rooted in a competitive market.

Our financial mechanism has been a pillar of strength in reversing the downward trend and bringing about a renewal of growth. Our banks are sound. Our citizens are confident. The stabilizers built into our economy have demonstrated their effectiveness.

When evidence of the recession became clear last fall, the Federal Reserve System eased credit, and the Administration promptly took steps to stimulate housing and to accelerate needed government expenditures. And additional spending which the last Congress authorized, have raised the level of expected government spending by $5 billion since the budget estimates in January. In addition, there has been a $7 billion decline in revenues for this fiscal year from the January estimates, a decline associated with the recession. These two shifts are expected to produce a budget deficit this fiscal year of $12 billion.

We do not face a deficit of this size with complacency. We are attacking it vigorously from every possible angle, and the American people can be confident that it will be dealt with effectively. The economic recovery now well underway is a factor which is on our side. A continuation of sound recovery and economic growth will not only replenish our revenues, but will give us an environment in which there will be less pressure for government expenditures in some areas.

We are not letting up in this fight to control spending. In fact, in the last session of Congress we avoided a further addition of $5½ billion in spending authorizations. This was accomplished by Presidential vetoes of several spending authorizations, and by successful opposition, with help from some members of Congress of both parties, to other spending proposals that had actually been passed by either the House or the Senate. The President's drive to reduce government employment by at least 2% during the rest of this fiscal year is an additional evidence of our determination in this area.

No Hasty Tax Cuts

With progress in controlling the budget, we can deal more effectively with the economic and social burden imposed by our present high level of taxation, and make further strides toward tax simpli-

fication and reform so that our tax system can function as effectively and equitably as possible. We are firmly convinced that the tax structure must be further improved so as to provide the minimum of interference with the incentive of individuals which is so basically important to our free enterprise system.

Changes in our tax structure, however, must not be hastily resorted to as a matter of expediency. You will recall that those who were urging tax reductions last spring were making their proposals on the ground that the reductions must be accomplished in the ways they proposed, without regard to what might be politically possible within the framework of the national psychology at that time.

Now, six months later, it seems clear that hasty resort to tax cuts would have been not only unwarranted but would have added heavily to an already serious deficit. Temporary shifts in our rate of economic growth do not justify either indiscriminate tax reduction or indiscriminate spending.

We now look forward to a period of growth. During recent years, American industry has invested large sums in plant and equipment. We have built great productive reserves into our economy. We must now wisely manage our affairs to use this production for sustainable growth.

It is growth we need. The government faces increased responsibilities at home and abroad in a world of tensions. We will meet those responsibilities. They can and will be met with a growing national income which will come from increased productivity, expanding employment opportunities, and a demand on the part of our people for continually rising standards of living.

We have written into our laws a recognition of the government's responsibility to promote "maximum employment, production, and purchasing power." The government has accepted that responsibility; it is equally important that we accept, either by statute or self-acknowledgement, the principle of the integrity of money.

Let me repeat here a point that I have made many times. We in the Treasury are never going to follow or urge policies which are inimical to our national defense or try to impose our judgment upon those responsible for our national safety. However, military strength is based upon a strong and dynamic economy. Weakening our economy plays into the hands of those who threatened our way of life just as surely as weakening our military position.

But coupled with the promise of growth, we also today face the threat of inflation. No responsible government will allow either inflation or deflation to run a ruinous course. Nor can any business or organized labor group long maintain the confidence of the American people if it so conducts its affairs as to be unmindful of its own responsibility towards promoting economic soundness.

Wants Growth Without Inflation

There are those who say that inflation is the inevitable price that we have to pay for continued growth. Such growth, they say, demands easy money and big government spending. If we curb these forces of inflation, so it is argued, we shall also sacrifice maximum growth.

I do not agree with this thesis. It has a superficial plausibility because we could, of course, accelerate growth for a certain time by inflationary finance, just as we can accelerate a car by stepping on the gas. Over the longer run, however, these inflationary methods would get us into trouble, just as the recklessly speeding driver will find himself in trouble. What counts is not how fast one goes at any one instant, but how soon and how safely one arrives at the end of the journey. The journey on which the United States has ventured stretches into the limitless future. We must not, for the sake of covering a few miles perhaps more quickly, jeopardize our progress along all the rest of the way.

We have, of course, had considerable success in maintaining price stability in recent years. While it is true that the purchasing power of the dollar in 1958 versus 1939 is about 48 cents, we often forget that all but 4 cents of the decline occurred before 1953, and is largely chargeable to the enormous expenses of World War II which could not be met entirely out of taxes.

This helps remind us that inflation is not inevitable, a blind force which we must accept with resignation. Inflation is a phenomenon that is manmade and can be man-controlled. The problem is how to control it without employing methods that would limit too greatly individual initiative and freedom of choice.

Progress in the uneasy atmosphere of inflation, moreover, is not what the American people really want. The nerve-wracking race between prices and wages is no happy life even for those who manage to stay ahead. The destruction of savings does not make for a stable society. The drawing of contracts in a currency that we would become resigned to let depreciate is contrary to our traditions of good faith. Inflation is not only uneconomic, it is immoral.

The time for a showdown with inflation is now. Each delay makes victory harder, because more people become more firmly convinced that inflation is unavoidable. We must act now to keep an inflation psychology from becoming dominant.

Analyzing Switch to Equities

As a first step, we must recognize and evaluate both the economic and psychological factors influencing activity at the present time. Foremost among these is the recovery itself. What forces are generating it? How broadly based is it and how well sustained can we expect it to be? What role is being performed by government spending, induced or accelerated by our desire to speed up output and reemployment? How should we evaluate business and investor attitudes toward the economic outlook as reflected, for example, in the preference being shown by the business community for debt vs. equity financing, and on the other hand in the heavy demand on the part of investors for industrial stocks which is in part at least induced by fears of future inflation?

The demand for funds coming from all of these sources—recovery itself, government programs, and business attitudes toward the future—presents numerous prob-

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lems for all who engage in the activities of the financial community. To mention one—the sale of bonds, which constitutes the only means for raising funds in the market to finance public expenditures, state and municipal as well as Federal, and a principal means to finance industrial growth, is being placed more and more in jeopardy. Today prices of common stock have risen to a point where their average yields are below the yields of senior bonds of the same corporations and are getting closer to yields on U. S. Government bonds. These developments furnish evidence, if more were needed, that we must intensify our efforts toward meeting the requirements of the government and of the economy itself without at the same time becoming active collaborators with the destructive forces of monetization and inflation.

We have made great progress in the last quarter century in developing techniques which mitigate recessions. The unemployment which accompanies a downturn in activity is abhorrent to our people, and it brings about a prompt demand for government action.

Inflation, on the other hand, creeps upon us gradually and insidiously. We must remember that inflation and booms are the cause of recessions. They impede sound, sustainable growth in real terms, based on a sound monetary system.

It has been argued that our traditional weapons against inflation—Federal Reserve monetary policy, sound fiscal policies, and a management of the public debt aimed at lengthening its average maturity and obtaining distribution outside the commercial banks—are inadequate because this inflation is a "special kind" of inflation. The new inflation, so the argument goes, results from wage increases which outrun productivity, from administered prices, not from excessive credit expansion and government deficits. Monetary policy plus expenditure controls, it is said, cannot cope with an inflation that is fed from a different source.

The fact is that inflation is fed from many sources. It has to be attacked from many angles. The traditional weapons of monetary policy, fiscal policy, and debt management will be employed vigorously. But we must remain alert to the possibility of other methods, too, and be prepared to use them with vigor.

Hard Courage of Civic Responsibilities

But the battle is not all up to the government. Leadership in our type of system is meaningless without a strong national determination that the problem be solved. Leadership can call for restraint; it can make the issues clear; it can program the remedies. But hard personal choices are required to get this job done.

It takes courage to put the long-range general interest—the hard choices—ahead of the immediate interests—the easy and momentarily attractive. As I see it, the one truly great requirement is that our people not just voice platitudes but exhibit this hard courage in their demands on the government. We are often told that in a competitive economy a single firm, a single union, a single consumer cannot exercise such restraint. If any of them did, it is said, they would only injure themselves without influencing the course of events.

We cannot guide our conduct by these norms, for they seem to relieve the individual of his civic responsibilities. After all, a single vote in an election may not seem to count for much; yet each vote is important in our democratic process. The same standards should apply to the business man setting prices, and to the labor leader negotiating wages. If such restraints are not exercised, public opinion will in due course demand some change in the ground rules.

A nation that has conquered so many of the forces in the material world and which has achieved a high standard of economic literacy is not going to repeat the mistakes so many nations over the world have made in following unsound fiscal and monetary policies which erode the purchasing power of their currency. Other nations have learned this lesson the hard way—by cruel experience.

This Administration pledges itself to a relentless fight against inflation. In that, we need and I know we will receive, your support. As people become more fully aware of the problem, we will win the fight. We will not sell America short.

I should like to turn now to the particular problems of Treasury financing and debt management.

All too often these problems are regarded as something of concern only to the Treasury or involving only those engaged in security transactions. That, of course, is not true. The influence of the national debt and the way in which it is handled penetrates every corner of American economic society. The frequency with which we go to the market, the volume of debt financing that is required, the distribution of the debt in length of maturity and ownership, affect the whole scheme of individual, corporate, municipal, and state financing, and bear a significant relationship to how we accomplish the economic goals of a free society.

Transcends Equity and Profit

There is more involved here than consideration of equity and profit for the holders of securities. With a debt as large as ours is now, debt management is at the heart of the whole problem of national thrift. It is a major part of the responsibility resting on a competitive society for maintaining monetary integrity, institutional liquidity, and the achievement of growth. Decisions bearing on the management of the debt touch the lives of every individual of our nation and weigh heavily in the accomplishment of our international objectives.

As you know, we have for fiscal 1959 a sizable financing program:

\$23 billion rollover of regular bills, four times yearly.

\$49 billion of other maturing issues to be handled.

\$12 billion deficit to be financed; a portion of this financing will be announced in a few days.

Finally, even with steady economic recovery and growth, there is the prospect of some deficit in fiscal 1960.

The size of our financing program increases the urgency of our obligation to finance as large a part of our requirements as possible outside of the commercial banking system and thus minimize the inflationary pressure of deficit operations. This raises very difficult problems for us.

First of all, we are not able this year to place large amounts of securities with the government trust funds. Over the past 10 years, these funds added \$20 billion to their holdings of government securities as their reserves accumulated. Currently, however, the flow of funds is being reversed; benefits and other payments are exceeding receipts, and there will be a decline in holdings this year.

A further factor complicating our problem in the nonbank area is the continuing drain on the Treasury resulting from the cashing of Series F and G Savings Bonds, originally issued in large denominations. To help meet this drain, the Treasury, as you know, has recently opened up Series E Savings Bonds for the investment of the proceeds of maturing F's and G's, without regard to individual annual purchase limits, believing that those who chose to hold their F's and G's to maturity will continue to exhibit the same characteristics in their holding of Series E.

Urgency of Savings Bond Program

The problem of maintaining and enlarging the proportion of the debt held outside of the commercial banking system may however, require a more aggressive Savings Bonds program. The banking community has always given strong support to the Treasury in this area, and I am hopeful that you will come forward with suggestions for new approaches at the present time. As you know, the Treasury resisted pressure last spring to cut back its Savings Bonds program because of the recession; as a result, we are in a strong position to move ahead now into even more active encouragement of individual savings through purchases of Savings Bonds.

While we expect to put the strongest possible emphasis on Savings Bonds this means alone will not suffice. The successful placement of Treasury marketable securities to the greatest extent possible outside the commercial banks is of exceptional importance at the present time.

I am sure that there is agreement on the fundamentals applicable to activity in the government bond market. Fluctuations in market prices and yields serve an important function in our private enterprise economy and legitimate dealer activity is important and necessary.

Speculative Activity in Governments

The experience of last summer, however, has focused attention on certain unhealthy features of market activity; in particular the participation of market operators whose only object is to secure a quick profit. Speculative activity of this sort makes no contribution to the breadth, depth or resiliency of the market. On the contrary it is destructive of these qualities.

We must all give continued thought to the ways in which a recurrence of such excesses can be avoided. However we must recognize that there are other major forces behind the recent decline in bond prices.

It is these fundamental factors which provide the fuel for speculative activity regardless of what short-run circumstances may set it off. Permanent relief from speculative excesses can occur only when the basic conditions giving rise to fears of either creeping or runaway inflation are recognized and dealt with. Because of this as I have said, all Americans must show determination and courage in making the required hard choices.

Voids Debt-Management Goals

As I see it, the problem of how to maintain a healthy government securities market is one which must be attacked cooperatively by all of us—banks, dealers, institutional and other private investor groups, as well as the Treasury. Huge as its operations are, the Treasury (unlike municipal and private borrowers) employs no underwriters in the usual sense of the term. The underwriting responsibility is, in effect, shared by the entire financial community. Within this community, the Treasury's debt management goals are, I believe, fairly well understood. It is recognized that the Treasury should rely as little as possible on debt ownership by the commercial banking system. It should make every effort to lengthen the debt so as to keep the number of financing operations at a minimum. In addition, it should generally conduct its operations so as to interfere as little as possible with the freedom of action of the Federal Reserve in its monetary operations.

I repeat—there is general agreement on these goals. But how best to work toward them and how best to protect the market from disruptive influences raises difficult questions on which there is no unanimity of opinion.

You are all familiar with the principle that the Treasury should seek to sell long-term bonds during periods of prosperity when the tightening effects which their sale may have on the money market would be in harmony with a policy of monetary restraint. Similarly, it is said that during periods of recession the Treasury should contribute to liquidity and to the availability of capital by doing most of its financing in the short-term area which will be largely absorbed by the commercial banks.

These principles, as you know, have presented difficulties in practice. The Treasury has found that there are few if any made-to-order occasions for substantially lengthening the debt. The opportunities which do arise are infrequent; they are imperfect; and they are not necessarily linked to any particular phase of the business cycle.

There were some who criticized the Treasury for its debt extension efforts during the past year on grounds that we should sell only short-term issues during a recession. On the other hand, if we had done all of our financing in the one-year area our debt would be indefensibly short as we take on the serious problems of a period of sizable debt expansion.

The issues are made clearer by a quick glance at the changing government ownership pattern during recent years.

Since 1952, the government security holdings of individuals and personal trusts have increased somewhat on net balance, as have the holdings of commercial banks. Ownership on the part of retirement funds of state and local government and the government investment accounts is up substantially.

Corporation holdings are down—but the liquidation here has been in the short-term area, as corporate liquidity varies with the economic cycle. A matter of considerably greater concern is the sharp drop in the government security holdings of nonbank financial institutions.

Because of its effect on the longer term debt picture, this poses a tough problem for the Treasury. These institutions, of course, have played a major part in helping finance the growth of the economy during the past decade. But in view of the size of our government debt today and with deficit financing looming large, there are important responsibilities on the part of private investment institutions for aggressive assistance in the Treasury financing job, as well as in the industry financing job.

The market for Treasury securities, apart from Savings Bonds, is to a large extent an institutional market. The flow of personal savings today also goes predominantly through institutions—insurance companies, savings banks, savings and loan associations, and pension funds. When the great institutional holders of the nation's savings do not buy Treasury securities, the Treasury must turn to the commercial banks. This means increased bank credit, a larger money supply, and new inflationary pressures. To the extent that inflation results, the customers of these savings institutions are among the chief victims.

Again some tell us, as in the case of inflationary wage and price increases, that the actions of a single institution in a competitive market have little effect. It cannot, some tell us, buy Treasury bonds to fight inflation when its competitors are obtaining better yields elsewhere.

Our conduct cannot be guided exclusively by these considerations. Since it is the goal of financial institutions to help protect the purchasing power of the savings entrusted to them, they must look not only to the immediate results of their actions but to the ultimate economic consequences as well.

There are a number of possibilities for improving holdings in the nonbank area. We are now carrying on an extensive program of study and consultation on all phases of debt management. A number of groups, in and out of government, have been asked to join with us in studying the overall debt management problem and to come up with specific suggestions as to improved techniques and procedures.

Despite the problems which we face today—and they are real problems—the future is full of hope. Our economic recovery is proving again that our reliance on a free enterprise economy is well founded. A rising economy, together with effective measures to overcome our temporary budget difficulties, and our determination to follow through with sound debt management policies and other anti-inflationary measures make confidence justified that the purchasing power of the American dollar will be maintained. The entire free world looks to us for sound and constructive leadership and as a bulwark of financial strength.

If all of us—in both public and private life—work together with foresight and responsibility, we can fulfill our high aims. In so doing we assure that the future of America is unlimited.

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"Money in Peace and War": Robertson

be done. The most urgent thing at the moment is that responsible bank officers ponder the situation of their own bank in the event of a nuclear attack and then consider what measures the bank can reasonably take to safeguard its existence and assure the discharge of its responsibilities to its customers, to its business community, and to the nation. Not all banks will come up with the same answers. The problems of a large institution serving other banks and corporate customers located throughout the country will be different from those of the smaller institution serving only its immediate locality. Appropriate measures for a bank with widespread branches may well differ from those having no branches.

I urge you to consider seriously, as a matter of good business and normal prudence, the steps which you should take to protect your institution. Obviously you cannot move the center of your operations to a cave hundreds of miles away from the customers you serve from day to day. There are, however, a great many things that you can do, some of which involve little expense and little time or effort but which might make a tremendous difference. You can find many valuable suggestions in the pamphlets which have been issued. This is not only a broad

public responsibility, but an immediate and direct responsibility of bank officers to the depositors and stockholders who look to you to take appropriate measures to protect their interests in all eventualities.

Question of Waste

One of the reasons most frequently raised for doing nothing is "the cost" of doing anything. I frankly admit that if all goes well, I am counseling "waste"; "waste" like your insurance premiums; "waste" like the defense expenditures which make up most of the Federal budget; "waste" in the form of necessary high-premium insurance against the collapse of our civilization.

Certainly we all hope devoutly, that our plans and our expenditures for defense preparedness will be wasted in the sense that we will never use them. They will not be wasted, however, if they serve, as the experts think they will, to deter an enemy attack on this country.

There is another major reason for our reluctance to take up and carry through this thankless task. Most of us work in fields of activity that existed for decades or centuries before we got into them. The machinery ordinarily has been developed through trial and error by our predecessors. No man that ever lived could develop the internal combustion engines that Detroit turns out by the millions every year — the contributions of even a Kettering do not create the whole structure, but simply add a self-starter, or change the design of the engine.

In our own field, no one ever "invented" — or could invent — a banking system that furnishes and channels the lifeblood of a capitalistic economy. In the hundreds of years since European goldsmiths began to lend out some of the wealth deposited with them for safekeeping, hundreds of features of the modern banking system have been added and refined through the efforts of intelligent, trained, ingenious and daring men. We regard the introduction of term loans, or electronic bookkeeping, or drive-in banking as considerable steps forward—as they are. But viewed as parts of the banking structure, even these developments are no more than refinements of detail that improve the operation of an enormous and smoothly functioning apparatus.

Preparation for rehabilitating the banking system after a nuclear attack on our country is a very different matter. We have to work without the benefit of laboratory experiments that would disclose the "bugs" to be eliminated in the next model. We cannot effectively conduct pilot operations on a small scale. The task is enormous almost beyond calculation, and we must prepare for it theoretically—by a process of deductive reasoning, the validity of which cannot be determined until (heaven forbid!) it has to be applied "for real."

For most of us, it is not easy or pleasant to grapple with a task of this character and magnitude. Before they begin such a job, men fear that they can foresee only a fraction of the needs and problems—that the blueprint they devise will not produce a machine that will meet the needs that will actually confront us. In such circumstances, unless we think through all the implications, it may appear that the job is not worth doing particularly because we all hope that we will never need the machine. But the existence of a blueprint for a machine that is sound in principle, and the existence of cylinders, a power shaft, and a lubricating system, may very well make the difference between the ability to get some sort of machine going within a reasonable time and never having any machine at all.

So we must never lose sight of the fact that—if we **do** need an all-out emergency plan for the banking system—whatever intelligent, conscientious planning we have done will pay off a thousandfold, despite the inevitable defects. If the plans we make now —while there is time—should enable us to reconstruct a banking system that could perform at even a fraction of our present capacity and efficiency, that could make the difference, on that dreadful day, between the survival of western civilization or its destruction.

I think you have already inferred that I regard the job of planning for a banking system that could be reconstructed among the ruins of nuclear bombing as second to none in our planning for the continued existence of a free society on this planet. Like you, I find the job distasteful, frustrating, and complex—but not insurmountable. It is with real regret that I give you my opinion that American banking has not, to date, set its shoulder to the wheel in a real concerted effort to get this job under way. As bankers, you have a large portion of the responsibility for seeing that we have the necessary machinery to assure sound money in all circumstances. This is not just a "'fair weather" responsibility, to be shifted to the government in time of trouble. The American people look to you for protection and for leadership—both in peace and in war. This is a role you **can** not, you **must** not, you **dare** not decline.

Smith Opens Office

BEECHHURST, N. Y. — Milton D. Smith is engaging in a securities business from offices at 162-10 Powells Cove Blvd. Mr. Smith has been with J. H. Lederer Co. Inc., Bornstein Co. and A. J. Gould & Company.

Joins Earle C. May

(Special to The Financial Chronicle)

PORTLAND, Ore. — William B. Mersereau has joined the staff of Earle C. May, 618 Southwest Yamhill Street.

With Pitser Co.

RALEIGH, N. C. — George E. Lortz is with Pitser & Co., 617 Hillsboro Street.

Lester, Ryons Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Merle F. Van Pelt has become connected with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Pacific Coast Stock Exchanges.

Solomon Newborn Opens

HICKSVILLE, N. Y. — Solomon Newborn is engaging in a securities business from offices at 87 Broadway.

E. L. Raymond Opens

SARASOTA, Fla. — Edward L. Raymond is engaging in a securities business from offices at 7934 North Tamiami Trail.

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What's Ahead for Real Estate?

well-located apartment buildings. We believe in re-centralization.

Revival in Downtown Building

I believe that the movement of the insurance company and the major companies moving out to the sticks is over. The reason is because our entrepreneurs and our capital have now finally gotten enough intestinal fortitude to risk some investments in downtown areas. We did a study not long ago, as a matter of fact, within the last year—it is not confidential, I don't think—for one of the major glass companies in Toledo. The president of that company is a friend of mine. He knows of our work. He said to me one day, "Jim, we would like to build a new building, but we think everybody is moving out to the sticks." I said, "Well, perhaps we better do a study of it for you," which we did.

We found out that in Toledo nobody had built a square foot of grade-A office space downtown for anybody to occupy since 1930. We had not done it in Chicago until the Prudential came in here from Newark, with risk capital to build a million square feet, to rent at $5.90 a square foot. Everybody in Chicago was scared to build a building. When they announced this a lot of proprietors of buildings said, "Oh, that is a terrible thing. It will ruin the market. It will over-supply."

What has happened? Within one year of the time they opened it they were 98% rented at $5.90 a square foot. We have now built all kinds of new buildings in the downtown area at over $5.90 a square foot. What are they? They are well occupied. What are these apartments? They are 100% occupied. Nobody can live in or have an office in a building that does not exist. We did a study for Prudential in Boston when they bought the Back Bay Yard. We found out that at any time since 1930 if you had come to Boston and wanted 10,000 square feet of grade-A office space, you couldn't have purchased it. I don't know anything about your town, but I will wager you that if you wanted to go to your town and buy today 5,000 square feet of grade-A office space you couldn't find it in your town, because nobody is building.

The reason people went outlying is because they were forced to out-lying by dead capital in the centers of cities.

Optimistic About Commercial Properties

We are bullish also on commercial properties. The United States at one time was largely an agrarian economy. As a matter of fact, in the early history of our economy, it took the labor of 97 people on the farm to support three people in town. I can remember back in the days when Roosevelt used to make his speeches in 1933 he addressed himself to the third of the country that was agriculture, the third of the country that was industry, and the third of the country that was professional and commercial. Last year for the first time in the history of any economy anywhere, more than half of the people of the United States neither made anything nor grew anything. They were parasites, like you and me. We need more people today to serve the people who are making something and growing something. We have already passed the peak of our industrial employment. We are going to employ a lesser and lesser percentage of our people in industry and agriculture than we ever have before.

What is our common characteristics? We have one. We live in the daytime in an office. That is where we live in the day. That is where we conduct business. The office consuming groups in the United States are growing apace. We are reasonably optimistic, even in the light of the great expansion of construction in the commercial outlook at this moment.

As to industry, there are three reasons why industrial plants are built. The first of those is because industry finds that it needs more capacity. The second is that industry finds that its manufacturing methods are outmoded and it needs to build a plant because of technological improvements. The third is that industry needs to locate some place because of an expanding market.

All those three reasons are a little different today than they were two years ago.

Technologically, we believe that more industries will find that they have to build plants in order to match modern methods and modern costs. Market-wise, if you are in an expanding territory, like the Southwest or West or Far South, industries will locate factories because they have to get close to new markets. In terms of capacity, there is a common feeling in America today that we have too much capacity. I think that this is complete nonsense. We have a great deal of capacity in terms of our present system of distribution.

Let me illustrate. I have two married children, a boy and a girl. That means two couples. But they are at nowhere near even their needed level of consumption.

I am not talking about extravagance. The girls don't have enough clothes, their housing isn't good enough, they drive old, beat-up cars. Their level of consumption is nowhere near where they would like to make it.

What about the industrial worker who does get the $100 a week and who has three kids at home? He is nowhere near even living comfortably according to your standard and mine. To say that we have too much capacity for this country of ours, I think is absurd. We have, at the present moment, not discovered the way to make the goods flow as we had them flowing and as we have to get them flowing again.

Farms Going Up

Now what about farms? Many are interested in farms. I bought a farm six years ago. I went out west of Chicago and I figured that farms were worth $250 an acre. The cheapest farm I could find to buy was $350 an acre. I thought, "Well, I am paying $100 an acre commuter premium. So I will just blow that extra $100 an acre. That is a bad investment for a real estate economist, but I will buy it." So I bought it.

Last Fall, there was traded across the street from me a farm just exactly like mine, exactly the same, the same kind of buildings, the same kind of land, to a farmer, not a city speculator, for $575 an acre. The farm behind me was sold this Spring for $900 an acre.

These have the impact and the impetus of urban areas which are not farms in the true sense of the word, but the fact is that farm prices are continuing to go up, and will continue, in our opinion, almost regardless of what happens to the level of farm prices.

We are as bullish about land as we ever were. We don't think it will go up quite as fast in the next year as it has. But there is one thing about land. Suppose I make this watch, and I meet you at the club and say, "Jim, what do you do for a living?" And I say, "I make watches." Then you say, "Tell me about it." I say, "Well, I make this watch, I sell it for $200, and I make $100 profit."

The minute he gets away from the club, he will form a syndicate, start making watches, and sell them at $80 profit. When somebody hears he is making $80, somebody will form a syndicate, start making watches, and sell them at $60 profit.

You see, the reason we always had depressions in this country is that the profit system is self-exhausting. We would ultimately do this until we got the watch down to where the profit was unsatisfactory. Then we would curtail the production of watches, somebody would go out of business and fail, and then we would be back in getting $100 profit again.

The difference between this kind of a product, or any other kind of a product you can think of, and land, is one thing: Nobody can make any land. It is true they can dredge up a few acres in Florida, and we can build a beach out here, but basically all the land that is ever going to be in your community is there now.

If you know anything about population statistics and you pose those population statistics on that land supply, there is only one way that land can go, and that is up. It is scarcer today than it ever was. It will continue to be scarcer.

Mortgage Financing Advice

If you are in the mortgage finance business, if mortgage financing is a part of your business, you have to be sure that the guy who is doing business with you has land. If you want to go so far as to be a mortgage banker, you can make more money in land by financing and providing for normal expansion. I am not talking about speculation, but I am talking about intelligent investment in inventory for the future.

One other thing about real estate is the influence of real estate on banking. When I was a kid in Chicago and we knew about the banks, we knew that the Illinois Merchants was the Mitchell bank; we knew the Continental was the Reynolds bank; we knew that the First was the Morgan bank. Names of individuals were important.

I would wager that the customers in the savings department, that 95% of the customers in the savings departments of those three institutions or their successors today haven't the slightest idea who runs them.

We are finding by actual study and measurement that the success of banks today with respect to savings is increasingly dependent upon convenience and service. Convenience is largely location. You can offset location by advertising, but if you have the location the advertising can be not as important.

We believe that banking today is increasingly a consumer activity; and to the end that it is a consumer activity, that its location in relation to consumer pools is of greater and greater importance. Therefore, when you think about the importance of savings, think about the importance of injecting your institution into the flow of savers with land, and if you want to contribute to your community in good will and in dynamics, build yourself a new building that will house and make it possible for somebody to come into your town and expand in Grade A office space.

I have tried to give what I think is the outlook for real estate. There isn't any real estate depression in the offing. The markets may weaken somewhat in the next two or three months until we get back into the swing of full employment. But as we look over the year ahead, you need not worry about your real estate investments.

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An Analysis of Critical American Problems

fiscal 1959 for the Federal Government alone. For fiscal 1950, total expenditures of these government units were responsible for $1 out of every $15 spent in the United States. By 1956, only six years later, these expenditures had grown to $1 in every $4 spent.

We have examined the successive roles government has played historically in the American economy, first as a producer of goods, then as a regulator of industry, and today as the biggest purchaser of goods and services in the nation. We may now ask, "What will be the probable role of government in the years ahead?"

Private enterprise is today capable of producing goods on such a gigantic scale that it is dependent as never before upon the economic well-being of the masses of people. The tens of millions of Americans who constitute our markets must have the means and the willingness to buy the products of industry if the economy is to operate at the high level of activity which is the accepted objective of business, labor, and government. At this point, the economic concerns of private business, labor, and government are identical.

Mass production by modern, power-driven industry is now capable of producing an endless flow of goods. Mass markets, therefore, become imperative. We have moved steadily away from the sedative hum of the hand spinning wheel and the village feed mill to huge gray factories silhouetted against the urban skyline. Great power-driven factories, great organizations of labor, and greats markets make highly improbable any broad return of government to the Arcadian simplicity of Colonial days.

As the President has stated, "The demands of modern life and the unsettled status of the world require a more important role for government than it played in earlier and quieter times."

Repeated Examination of Federal Role

But this does not mean that we should now thoughtlessly turn over the management of the economy to an all-powerful state. It means that we need repeatedly to reexamine the role of government in terms of a constantly changing and vastly expanded national economy. It means also that we need to assess the role of government in terms of a turbulent and restless world.

We may state, first, that so long as we are involved in the present world struggle, and this is apparently to be a conflict over many years, government will continue to be by far the largest purchaser of the goods and services the nation produces. A budget of over $40-billion for defense alone automatically creates an enormous impact upon the economy. Approximately 77% of all Federal budget expenditures are for national security. Unfortunately, there is no evidence that the American people can look hopefully in the near future for any major decline in these expenditures. With a continuance of present world unsettlement, new weapons and defense modernization will bring pressures for large defense expenditures in the years immediately ahead.

However, in any attempt to reduce the role of government as a purchaser of goods and services, defense is the single most important area to examine. Because of the very magnitude of its expenditures, defense should be under the necessity constantly of justifying its huge outlays and the policies that require those expenditures. We ought never to accept complacently the philosophy that the largest single expenditure of the government is beyond the most critical and searching analysis. If we have a continued growth in defense expenditures, or in total Federal expenditures, at a rate substantially faster than the increase in our Gross National Product, it will be necessary either to reduce these expenditures or to accept sacrifices, such as higher taxes and limitations on our rising standard of living to keep the economy sound.

Widespread and Conflicting Demands

The government has now become a vital factor in most of the nation's major economic decisions, whether they involve business, agriculture, or labor. Furthermore, there seems to be a widespread willingness to have government assume this role. If a strike threatens to tie up a great industry for weeks, the government is expected to prevent it. If the dock workers strike and close a large port, we turn to government for relief. If housing construction declines, the government is expected to arrange easier credit, lower down-payments, and other remedies. If we seek slum clearance, we ask the government to provide a large part of the funds required. If some businesses grant exceptionally easy installment terms, other businesses believe government should correct the trade practices of their competitors by instalment regulations. If metal prices fall, there are insistent demands for larger government stockpiles, regardless of whether present stockpiles are considered adequate for national defense. If the price of an agricultural product falls, there are demands that the price be supported even though large stockpiles result. If drought burns up some farm lands, we expect the government to deal with the problem. If we are engaged in small business, we want government to establish agencies to help us with our particular problems. If we feel the competition of foreign products, we believe government should help us to compete by tariffs or import quotas.

We expect government to provide security for tens of millions of us in old age. We expect government to determine the number of hours we work, our minimum wages, and our unemployment compensation. We expect government to provide a vast expansion of our highway system. We seek larger contributions from government to improve our particular harbor or river.

Some of these requests are desirable functions of government. Others are not. We contribute our time and money to an infinite number of organizations which seek to get something from the government or urge the government to expand its activities. In countless areas we now turn to government where we did not do so a generation ago. To paraphrase Shakespeare, "The fault, dear Brutus, is not in our stars, but in ourselves" that government grows bigger and bigger.

We condemn the expanding role of government over the world, but we encourage it here. With one hand we work to reduce the role of government in our economic life. With the other hand we work even harder to increase it. We ask for a reduction in government expenditures, but not where it would affect our business. We

demand that government expenses be cut, but not for the Federal projects in our own communities. On one day we write our Congressman to reduce government expenses and taxes. The next day we write urging him to bring home the Federal bacon to our communities.

Will the role of government continue to expand as it has since the founding of this Republic? A few questions may indicate the probable trend. Will scientific progress increase, with far reaching effects on industry, sources of raw materials, and hours of employment, so that those affected will seek government assistance? Will unusual new products and services adversely affect some industries as they have in the past, and will these groups seek government help? Will the adjustments that have been under way for a number of years in agriculture continue with a demand by the industry for price support programs and the accumulation of surplus products? Will uncertainties and insecurity continue to arise from time to time in our economic life for different groups, and will government be expected to provide remedies for these problems?

Will the social security program contract, stand still, or expand? Will the continual drain on our national resources lead to more legislation for conservation? Will the millions of persons in our rapidly growing metropolitan centers demand better coordination and development by government of water supplies, sewage plants, educational facilities, and streets and highways in adjoining communities?

Will rising incomes of the people lead them to demand more schools, hospitals, medical and recreational facilities as they have in the past? Will the development of atomic energy for peacetime purposes lead to the establishment of agencies for its regulation and inspection? Will vastly increased highways and transportation requirements in the next 10 years lead to large expenditures by government? One could continue these questions, but the probable role of government in the years ahead seems clear.

We have examined the new role of government in the United States. Now we shall examine the new role of the United States in world affairs.

New World Affair's Role

In 1787, the 55 founders of this Republic of only 3-million people met in Philadelphia and created a new nation with a written Constitution setting forth the rights of free men. We are now engaged in a great world struggle, to see whether this nation or any nation so conceived can long endure.

With the founding of the Republic, our people began an unprecedented record of achievement within the nation and of contributions to progress over the world. They went down the Great Lakes into the Middle West, across the Appalachian Mountains, over the prairies in covered wagons and finally across the Rockies, clearing forests, building roads, and staking out a new nation. There were booms and depressions, a Civil War, monetary crises, crop failures, and critical problems. Life was not soft. It was not easy. It was hard. But the record of those titanic years was one of ceaseless driving progress in practically every field of worthwhile human endeavor. No other system of government or enterprise ever matched those accomplishments. Individual opportunity, individual effort, and individual reward drove free men and women to unparalleled heights of achievement.

Although our peole were preoccupied with the internal development of the nation, the dominant interest of the United States in Latin America was recognized as early as 1823 in the Monroe Doctrine. By 1854, Commodore Perry had opened Japan to our trade. In 1867 we bought Alaska. By 1898, we had a heavy interest in the Far East, because we had acquired the Philippines, only 600 miles off the cost of China and 7,897 miles from San Francisco.

By 1914, we had become the rich young prince of the world with practically no national debt. Then we emerged as victors in two world wars. Today we have billions of dollars invested in every part of the world. Economically, we are now the most powerful nation in history.

We have achieved a position of world leadership only to find ourselves in bitter conflict with another power which is determined to destroy the present social and economic order and replace it with communism. The destiny of our free society and the ideals we cherish are at stake in this great conflict.

It would be easy to utter some threadbare and comforting platitudes about the problems that confront us. But the truth is that the peace and stability of the world are in peril. Up to 1900, 13 empires had ruled the world, largely by keeping a balance of power. These old empires with their balance of power collapsed in the two world wars. Out of these empires have come 20 new nations which have thrown off years of colonialism for political freedom. The United States was a major factor in making the idea of political freedom a great force in the world, and this idea swept through the new nations.

Our people also declared that men cannot have political freedom unless they have economic freedom. We determined to eliminate all poverty and give our people economic freedom. As a result, we have greater economic freedom and security than any people in history. This idea of economic freedom is also now sweeping through the underdeveloped nations. It is therefore a strange historical paradox that these two great ideas of political freedom and economic freedom, widely proclaimed by the United States, are in a large measure responsible for the economic, political, and social revolution which is sweeping through vast areas of the world.

The overwhelming majority of the hundreds of millions of people in the new nations are illiterate and undernourished. They have a life expectancy of about 30 years. To illustrate the conditions under which they live, consider Egypt. Egypt has 400,000 square miles of land, but 386,000 square miles are unusable. As a result, the 23-million people of Egypt are crowded into a little area of 14,000 square miles, only one-fourth the area of the state of Wisconsin. Every day there are 1,000 more mouths to feed, and the land produces little or no more than it did 10 years ago. Year by year, the undernourished Egyptian peasant gets less and less to eat. Disease and poverty are the earmarks of the miserable masses of the Middle East.

With 50 to 90% of the masses illiterate, there is no certainty in many of these underdeveloped nations that we shall soon have constitutional government. There is only the certainty that the governments which do not promote policies for the rapid social and economic progress of the people will be broken. However, when the overwhelming majority of the people of a new nation are illiterate and hungry, they may accept communist leadership in a blind determination to achieve economic progress quickly. With no experience in self-government and often with excessively ambitious rulers, these nations may endanger the peace of the entire world. Premature independence can be destructive of the liberty of a people, and it can be dangerous to other law-abiding nations.

In these new nations, millions of men and women who have been docile seem willing now to place their lives in the hands of leaders who wave the flag of aggressive nationalism and speak the language of economic urgency. With a rapidly increasing population, 50% or more of the people in some of these new nations are under 25 years of age and are intolerant of delay and the orderly procedures of constitutional government. Many millions have had no personal experience with private property.

We shall be sadly disillusioned if we assume with a smug confidence that our institutions and our philosophy will inevitably be accepted over large areas of the world. For more than 1,000-million people, almost one-half the world, the idea of a free society — with capitalism and private property—has already vanished.

In this battle with world communism, we face the threat of piecemeal aggression, steadily losing one after the other of the neutral and underdeveloped nations through communist infiltration and subversion. The Free World is in danger of being cut off gradually from vital raw materials, such as oil, until finally the United States may stand alone. As early as 1952, Stalin said that as the communist world expanded, the Free World would ultimately collapse.

Look at some areas of the world. In Korea, we lost 30,000 men and over 100,000 wounded. We spent billions of dollars and are still spending hundreds of millions annually because the communists will make no final settlement.

In the nations of South and Southeast Asia, the struggle with communism is intense. Indonesia, alone, has over 80-million people on islands extending more than 3,000 miles in length and having some of the richest natural resources in the world. China under communism and India under democracy are being watched by many new nations to see which has the greater economic development. One may agree or disagree with the policy of India, but it might well be a major disaster for the Free World if the 385-million people of India with their democratic form of government were finally to lose the struggle for economic progress to communist China. The loss of China to communism was one of the most tragic losses in American history.

In the Middle East, the Soviet policy is to create economic and political instability so that Western Europe is in constant jeopardy because of the uncertainty of the control of the Suez Canal, the pipelines, and the oil.

Even in Latin America, the final outcome is not now clear. Although capitalism is fostered and freedom is valued, there is widespread illiteracy, poverty, and disease. There is a determination by the Latin American governments to industrialize and raise the standards of living at a rate far beyond the rate of savings of the people. The result is often socialistic development, serious inflation, and a sharp depreciation of currencies.

The hundreds of millions of people in the underdeveloped nations are seeking economic progress with a desperate determination, and they are weighing two systems: our system and the communist system. Which one will give them economic and social progress more rapidly? Their choice may determine whether the Western World with freedom and private enterprise will survive. The communist system will attempt by every means possible to exploit the weaknesses of the underdeveloped nations and force them into communism before they are economically strong or politically mature.

We are only 7% of the world's population, but the future of capitalism rests with us. If we become soft, if we falter, or if we fail, it is doubtful whether any other nation in the world is sufficiently strong to meet the threat that confronts us.

We have examined, first, the new role of government in the United States and, second, the new role of the United States in world affairs. The following conclusions are submitted:

(1) The historical trend indicates that the role of government will grow larger, not smaller, in the years ahead. But we can meet this challenge. In an age of science and technology, it is not government but modern, private industry, with its massive power-driven equipment producing an endless flow of goods, which is the greatest instrument for the social and economic enrichment of man. Therefore, while some functions and services of government may expand, it is within our power to have the relative role of government decline, as private industry continues its amazing record of raising the standard of living of our people. The greatest revolutionists of our time are American industrialists creating wealth for the masses.

(2) The communist system is concentrating its resources, its production, and the enormous energy of its people on the single objective of destroying the present social and economic order and replacing it with the communist system. Unless we propose to be the biggest economic sitting duck in history, we need to recognize that no nation grows stronger by continual emphasis upon more leisure and less work. The survival of our society depends upon hard work, thrift, and personal sacrifice and not upon leisure, extravagance, and personal indulgence. It is folly for us complacently to assume that the communist system will shortly fail from sheer incompetence and inherent weaknesses. Its leaders have said emphatically that through work and sacrifice they will achieve leadership in education, in science, in industry, and in world power. We need all the economic strength we can command by hard work, thrift, and energy in this critical struggle.

(3) We have legislation which deals with possible monopoly power in business. But today we have big labor as well as big business. We need to study objectively the important question of whether labor now has such power that it can force wage advances which exceed overall productivity and create rising costs, resulting in a strong upward pressure on prices and an inflated cost of living for every American consumer. We know far too little about these new economic forces, and we have no assurance that the welfare of the American people is being safeguarded. To illustrate, are these forces sufficiently strong to destroy, in part or entirely, the effective use of the instruments of credit control by the Federal Reserve System? In this world conflict with communism, we cannot afford to have power lodged in labor, in business, or in any sector of the economy which may result in the continual erosion of the value of the dollar and in undermining the national welfare.

(4) When maladjustments occur in our economy, such as an excess of production of some commodities, it is questionable wisdom to ask the government for price supports and stockpiling. In this contest for world survival, no nation is so wealthy that it can use its natural resources, its capital, and the labor of its people to produce goods for which there is no de-

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An Analysis of Critical American Problems

mand except that of a government stockpile. These activities expand the role of government, result in the loss of world markets, and compel the taxpayer to carry the burden.

(5) We shall not discuss the advantages and disadvantages of our present Mutual Security, or so-called foreign aid programs. However, we would all agree that the amount of loans and aid which the underdeveloped nations feel they need is far greater than the amount which the United States may be willing and able to provide. The communists continually exploit this situation. We need to encourage savings, even of small amounts in these nations, and we need also to encourage the flow of far more private capital into private investment over the world. However, no private business and no individual will save money for investment in foreign countries where there is great risk of nationalization, expropriation, and confiscation, or where monetary restrictions prevent the return of a reasonable part of any investment income. The various governments of the world might well take the initiative in preparing a treaty to which they would agree, setting up adequate safeguards for private investment and private income. Any nation which violated this agreement would seriously jeopardize its economic development for a long time. The greatest economic progress for a nation results when there is the proper incentive for private saving and private investment. A high rate of investment is perhaps the single most important factor in the economic growth of a nation.

(6) Common markets, such as the one for Europe, present the United States with some problems, and they are not the final goal of broad and expanding world markets. However, they do offer the means now of adding greatly to the economic strength of some parts of the world. The United States might well give stronger leadership to the development of common markets, and other comparable regional arrangements, not only in Europe but in other sections of the world, such as Latin America, so that mass markets and lower costs gradually improve the standard of living of the masses and build areas of economic strength against communism.

(7) The communist bloc accounts for only 10% of the world's trade, and it has less than 3% of the world trade of the underdeveloped free nations. In world trade, the communists lag far behind the Free World. However, they concentrate their trade in those strategic places where they wish to introduce communism, create chaos, and disrupt the trade of the Free World. They may even trade at a loss for a time, until they have a nation dependent upon them. For example, Egypt already sells over one-third of its exports to the Soviets. Nevertheless, the Free World is in a better overall position in world trade than the Soviets. In our desire to have strong nations economically so they can meet the dangers of communism, we need constantly to encourage the expansion of reciprocal trade.

(8) Granting that a strong national defense is a necessity, it is highly probable that economic and not military factors will finally determine the victor in the struggle between these two systems. This makes financial soundness imperative in every area of the economy — individual, business, and government. However, a nation ultimately is only as strong and only as great as the character, ideals, and vision of its people. In the last analysis, we are today engaged in a great moral struggle. If our people believe that the budgets of Federal, state, and local governments must be balanced, they will be balanced. If our people believe that capital expenditures should generally not outrun savings, they will favor restrictive monetary policies and not cry for easy money and easy terms in boom periods. If our people believe that inflation is bad because it erodes the value of bonds, pensions, insurance policies, and savings deposits, and destroys the incentive to save upon which the economic growth and welfare of our society depend, then they will adopt policies that end the dangers of inflation. In the great struggle in which we are involved, our whole way of life is threatened. We need to be certain that we are still true to the fundamentals upon which this nation was established.

Two great questions confront us:

First, in the years immediately ahead will we limit the role of government to those functions which private individuals cannot perform as well, or will we as a people gradually become less self-reliant, less willing to assume responsibilities and seek increasingly the delusive shelter and deceptive security of government.

The second question confronts all of mankind, and the answer to it may well determine the survival of the Free World. Will the masses over the world forsake their freedom, destroy the ideals which make the good society, and give up even their religious faith in their fierce determination to achieve social and economic progress rapidly—or will it be possible within the framework of freedom to achieve social and economic progress for the restless masses, to enrich and exalt man in contrast to the state, and to hold securely to those priceless values in a free society that lie far beyond goods and guns?

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Not Complacency But Truly Sustainable Growth

so many groups — in their own way—are willing to pursue selfish ends that serve merely to feed the fires of short- and long-run inflation.

The task ahead is not an easy one. The specter of inflation looms behind the problem of accommodating our needs for national security and scientific development, our requirements for essential civil governmental services, our desires for new benefits and conveniences, and our clamors for downright subsidies. All of these must be balanced against the ability of our economy to meet them with increasing efficiency and our willingness to pay for them.

We must never allow the man-on-the-street to develop the impression that such a balance cannot be achieved, or that it is unnecessary. To me, this represents the foremost problem facing the nation today. I say that because the effectiveness of our defense effort — indeed our very survival—will depend in the long run upon the basic ability of our economic system to retain its superiority over the Soviet system.

The official estimate is that the current fiscal year will produce a Federal deficit of $12 billion. Contrast this with the surplus $0.5 billion projected in the President's budget message last January. It is the largest deficit ever experienced except for years of total war, and there seem to be no signs of a willingness of interested groups to face up to it. The result is that we shall plunge deeper into Federal debt.

If this were a problem of passing significance, it could give us less concern. But we must face the cold fact that the involvement of our national security with the concept of space technology forecasts an increasing—not a temporary—burden upon our productive resources. I would not even hazard a guess as to what our budgetary needs for defense may be one, two, or five years from now; but in the present state of world tensions, there is not other course but to accept the need for integrating a heavy burden into our fiscal structure.

I believe that our nation's fiscal situation is more serious today than at any time in the past century because, generally speaking, the public is unaware of the meaning of our expanded program of defense expenditures. The patriotic drive which spearheaded fiscal actions through World War II just does not exist today. It must be rejuvenated.

Some groups believe that the simple answer to our fiscal situation is that national growth by itself — as if magic — will enable the economy to generate the production and incomes necessary to carry the defense burden without strain. One might agree with this view in theory, but the truth is that as a nation we have done a pretty poor job of balancing revenues against expenditures in a growing economy since World War II. Only those periods most markedly dominated by inflation have produced Federal surpluses. National output of goods and services amounted to $429 billion in the second quarter of 1958, and the $500 billion mark is not far out of reach. I submit, however, that if we close that $71 billion gap merely through price inflation, we shall not have enriched the lives of our people.

Charts Our Goals

The problem that faces us, then, is to keep our productive system operating efficiently so that we can bear the cost of national security, while at the same time providing a growing number of job opportunities for an expanding labor force and a greater volume of goods for a higher standard of living. It would be a grave mistake if our people were misled into believing that inflation can keep the economy under forced draft and that they can pay for defense costs by extended deficit financing which may generate inflation. On the contrary, our people should know and accept the fact that, in the long run, inflation impedes efficiency, diverts resources from productive uses into speculation, creates disparities in standards of living, threatens individual and national security, and —in general—saps the vitality of an economy.

I should like to commend the great body of the American press —the newspapers in large cities and small and the magazines and other publications of general and financial circulations whose editorial policies have recognized the dangerous implications of inflation. And yet, especially disturbing recently have been the actions of some who insist upon telling the public how to prepare for a coming inflation. The promotion of fears that inflation is sure to come is a disservice to the great mass of people, who obviously would never be able to protect themselves against inflation. The cold truth is that there is only one sure way of hedging against inflation: that is by preventing it in the first place. In my opinion, all of us can make a greater contribution to the future of America by telling people how to prevent inflation than by encouraging them to believe they can live with it.

This is no time for complacency, and so I stress that as the symptoms reappear again and again, we must do more than give lip service to pious hopes that the persistent inflation threat can be dealth with. Moreover, the recession of the past year—induced by market forces as a natural reaction to the inflationary pressures of 1955 to 1957 — in no sense has diminished the need for vigilance. Instead, it has renewed a warning that interests are constantly at work that are more concerned with short-run political expediency than with the long range efficiency, growth, and security of our economy. The recession has also reminded us that a dynamic economy requires adjustments by which dislocations can be corrected and through which forces of competition can keep business on its toes to develop greater efficiency and explore new markets.

Root of the Problem

The fight against inflation will require the cooperation of all groups in our society. At the root of the problem, of course, is the development of a better understanding by the average citizen that Uncle Sam cannot merely turn on a spigot and produce a flow of economic activity that will give us all the missiles and other defense items, social benefits, and things—governmental and private —we would like to have. The people must appreciate that the cost of defense is real and heavy, and that it is a drain upon our nation's resources. The world today is burdened by a new type warfare, and no nation has ever really gained a higher standard of living for its people through warfare. Therefore, we must meet the problem directly and make our people conscious of the fact that they must shoulder the cost of these demands thrust upon us by the space age.

Thus, may I emphasize again the point I made before. We, as bankers, have a grave responsibility for helping to develop a better understanding of the impact of this age upon the position of the United States Treasury. Financial leadership is expected of us, and we must be willing to accept it.

This means that we must give continued intelligent and enlightened support to sound monetary policies. We must accept restraint when it is appropriate in the name of stability of credit and the value of the dollar, and we must exercise the kind of policies which can promote strength of the credit structure. We must avoid like the plague the speculative fever that begets and feeds upon inflation.

There is no place for the word "speculation" in the "dictionary of banking." That goes for lending policies, as well as investment policies. We owe to our depositors, our shareholders, and the general public the obligation of keeping our loans sound; and equally important, we should guard against the use of banking resources for speculation in government securities that interferes with orderly conditions in free markets. The survival of those markets, indeed, will depend upon the willingness of financial institutions and other investors to recognize the broad public interest in stability of private and government credit.

On the fiscal side, we have a responsibility to espouse sound governmental financing. A Federal deficit may be tolerated now and then, but protracted deficit financing is incompatible with the goals for national security and economic stability and growth. No government can over a long period spend more than it receives, and no people can consistently demand more than they produce.

We can solve this problem of terribly damaging inflation when the people seriously and firmly decide they want to solve it and provided they forcefully make known their wishes to those who operate our government. There is no magic formula—no easy simple way to solve the problem or avoid the issue.

Truly Sustainable Growth

What we must seek is a means of obtaining and maintaining sound economic growth with some reasonable price stability. In other words, we want truly sustainable growth, and that means growth based on real production and real consumption — not on production and consumption geared to an inflationary bias or downright fear of inflation.

One of the greatest opportunities of banking for service to our country is the exercise of leadership in supporting those in government in elected and appointed capacities when they try to take steps to reduce the inflation dangers and in the encouragement and enlightenment of and cooperation with all citizen groups which take or can be persuaded to take an interest. Bankers must be in the front lines in this seemingly never ending battle.

Chase Manhattan Bank Makes Appointments

The appointment of James F. Fox as Vice-President in the public relations and advertising department of the Chase Manhattan Bank has been announced by George Champion, President. Mr. Fox joined the bank as Assistant Director of the department in June, 1957. Prior to that time he was public relations manager for Olin Mathieson Chemical Corporation.

The promotion of James H. Harris to Assistant Vice-President at the 25 Broadway branch also was announced. Mr. Harris joined the Chase National Bank in 1947 and was appointed an Assistant Manager in 1953.

Warren F. Beer; Lester J. Gilbert; Ernest F. Gustavson; Bernard J. Murray; Robinson Roe and Charles E. A. Sawyer, Jr. were appointed Assistant Treasurers.

Two With Central States

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio—William K. Drake and Clinton L. Stenger have become associated with Central States Investment Co., Walpark Building.

Joins Milburn, Cochran

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — William F. Anthony has become affiliated with Milburn, Cochran & Co., Inc., 15 West 10th Street.

Smith, Polian Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Robert H. Bachler has joined the staff of Smith, Polian & Co., Omaha National Bank Building, members of the Midwest Stock Exchange.

With R. H. Moulton

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William S. McKee has become affiliated with R. H. Moulton & Company, 405 Montgomery Street.

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The Outlook for Steel Demand in 1959

the automotive industry might conservatively be expected to produce at least 5.3 million cars and a million trucks during 1959, representing an improvement of roughly one million cars and 150,000 trucks over this year's expected output. And if the new models really capture the public fancy, our forecast will prove to be too low.

Steel's Major Customers

Next, let's turn to another of steel's larger customers—construction. It has often been said that a major depression in this country is impossible as long as construction is going well.

Earlier this year, there was some hesitancy in the construction field, but lately contract awards have spurted ahead of last year.

In terms of physical volume — stated in **1947-49 prices**—new construction in 1958 should hit $35.3 billion, about the same as last year. Next year should be even better, except for a lag in industrial construction. In total, we expect physical construction volume to expand about 3% in 1959.

Now to machinery. Although the expansion of industrial capacity has slowed, the cost-price squeeze continues to force industry to replace obsolete equipment with more modern and efficient machines. The outlook here has shown some improvement in the last two months, an upward trend which we hope will be sustained. In 1959 we look for about a 5% gain in machinery output.

Steel demand from railroads should be up by at least 15% in 1959. This may sound too large, but it will be an upturn from an extremely low level. As you know, the railroads this year have deferred every possible expenditure for repairs and maintenance. Increased operating revenues as the economy moves to higher levels will mean an improved steel demand here.

The petroleum industry appears to have largely worked itself out of a troublesome inventory position which developed after the sudden easing of the Suez crisis. This applies to both petroleum products and the steel used by this industry.

Production allowables have been rising and are likely to continue that trend. We believe drilling activity will turn upward in 1959, and well completions will be about 50,000, with total footage in the area of 210 million feet. This would be an improvement of 6% over this year's activity.

Another industry slated for improvement in 1959 is containers. Lower industrial production this year and the inventory runoff of containers temporarily reduced demand for barrels, drums and shipping containers, but a reversal is indicated. Consequently, container demand for steel is expected to rise 4 or 5% next year.

The appliance industry has recently been showing encouraging signs of pulling out of the downtrend it entered in 1956. In 1957, production fell about 11.5%, and in 1958 another drop of 6% appears likely. Through most of this period, the appliance industry sales projections were somewhat on the high side, and as a result, producers have had some difficult inventory situations to overcome. They now tell us that stocks are under control at all levels, and production is being geared closer to sales. With housing starts and consumer income rising, together with a better inventory position, appliance output should improve. Conservatively, we now estimate this rise at 5%.

In the field of agriculture, farmers have had two consecutive years of rising income, and we believe that agricultural steel needs for construction, machinery, and equipment should increase about 4% in the coming year.

Shipbuilding should continue close to its present level in the year ahead.

Other steel markets — military, mining, and commercial equipment—appear to be in a mild upward trend for next year.

That covers the domestic situation—now what about exports? In 1957, we shipped more steel to foreign customers than in any previous year—5.2 million tons. This year we probably won't ship much more than half that amount. Foreign capacity and output are rising rapidly. Since World War II, steel production outside of the U. S. has increased about 260%, while in the U. S. the gain was about 70% in that same period.

As foreign countries install mills, the technology of the industry necessitates their being plants of large capacity. Consequently, following the initial installation of such mills, they may momentarily be too big for the level of demand then existing in those areas. That being the case, these countries tend toward greater activity in the export market, making the competitive picture for U. S. exports much more cloudy. Consequently, at this time we are not forecasting that 1959 will see any improvement in the steel export picture.

Compares Ingot Expected Performance

Now, let's put on our steel spectacles and see how 1959's demand picture will compare with this year. During 1958, actual requirements for finished steel will total about 70 million tons. However, about five million tons of this total will come from inventory and another one million tons will be supplied through imports. This will reduce demand on U. S. mills to approximately 64 million tons of finished products, or approximately 5 million tons of ingots.

Without detailing the requirements of other industries, but certainly including them in the total, we foresee a demand level of about 75 million tons of finished steel products in 1959, about one million tons of which will again be supplied by imports. The steel inventory situation, however, will be completely reversed, and steel users will be rebuilding their depleted stocks. If past patterns are a good guide, we believe it is quite possible that a four million ton inventory addition might take place during the year.

So our forecast is that steel ingot production in 1959 will be about 103 million tons—an increase of about 25% over this year's depressed level of production.

Production of 108 million tons of ingots next year would mean that the steel industry would operate at about 75% of its estimated 1959 capacity. Naturally, we would like very much to raise that operating rate to 100%. So I have an order book right here and I will be happy to talk to any of you about delivering most any kind of steel, most any time, most anywhere!

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—Raymond B. Streb has become connected with Bache & Co., 130 South Salisbury Street. He was previously with R. S. Dickson & Co., Inc.

Railroad Securities

Union Pacific System

Union Pacific System's earnings over the years have shown a great degree of stability. One of the reasons for this has been the large revenues received from oil and gas operations and from its large security holdings. This year, however, earnings from oil and gas operations declined to $10,099,000 in the first seven months from $12,084,000 in the comparable 1957 months.

The decline in the other revenue is attributable to a drop in output from the Wilmington field. This field has been in operation for many years and the decline was not unexpected. The railroad has entered into a joint project with other operators in the area on a water-flooding project which is expected to increase production and at the same time arrest the sinking of land at the waterfront adjacent to the off-shore drilling operations. This field has provided around 70% of all oil and gas profits and at one time was equal to approximately one-half of Union Pacific's income after taxes; or in other words it matched the net operating income produced by the railroad operations.

The carrier has other large acreage which is in the process of development. These in time probably will result in the establishment of new oil and gas reserves. It owns 7,200,000 acres of land or mineral rights in Colorado and Wyoming and these could produce earnings in time. It is believed that on the property in Wyoming there is a substantial deposit of iron ore which if developed could produce earnings for the land account and also be an important traffic source. There also is the possibility of other commercial deposits of various minerals which would be an important source of increasing carloadings.

There is a possibility Union Pacific might lose some revenue as a result of the Trans-Continental Divisions case now pending before the Interstate Commerce Commission. Midwestern railroads are seeking a larger division of rates received on trans-continental traffic. Hearings on this case are scheduled to begin shortly, but it is likely that some time will elapse before a decision is reached by the Commission. Union Pacific has shown good control over operating expenses this year. For many years it did not show the same degree of operating efficiency as some of the other roads operating in its district. More than two years ago it started a program of modernization, particularly of its yards and equipment. Despite lower revenues and higher wages, the operating ratio was 77.3% as compared with 77% in the first seven months of 1957. The transportation ratio was 35.3% against 35% and practically all other operating efficiency gauges were held in line with 1957. The carrier also is reducing passenger train-miles as part of a program to cut passenger costs.

Agricultural traffic is important to the U. P. and this year's large crops has helped revenues. The road's carloadings in the first seven months were off only 9% this year from a year ago. This was somewhat larger than the drops reported by the Atchison, Topeka & Santa Fe and the Chicago, Burlington & Quincy which are more pronounced granger roads, but it was less than the declines reported by the Southern Pacific and the Western Pacific. With crops continuing to move to market and manufacturing activity picking up, the gap between carloadings this year and last should narrow in coming weeks with the possibility that final months might report actual gains over a year ago.

The rail receives substantial other income from its investments. It owns 733,940 shares of Illinois Central on which the dividend was reduced, but nevertheless net from all sources in the first seven months on the investment portfolio amounted to $35,071,000 as compared with $39,200,000 in the 1957 period. This income alone was equal to $1.47 a common share against $1.66 in 1957. What has helped in this connection is the higher income being received from Pacific Fruit Express, jointly owned with the Southern Pacific. Payments from P. F. E. this year are expected to exceed the $2,880,000 of 1957 which compared with $2,400,000 in 1956.

Capital expenditures last year amounted to $60,239,000, but finances remained strong. As of June 30, cash and its equivalents totaled $79,753,000 and current liabilities were $85,516,000. Net working capital was $68,072,000 against $85,693,000. The latter drop was almost entirely accountable for by the transfer of $19,000,000 government bonds to an investment account.

Cash flow should be augmented by depreciation and retirement charges which this year should run to $40,000,000 as compared with less than $3,000,000 equipment trust maturities. It is possible that this year, Union Pacific will have earned better than $3 a common share on the basis of the present traffic and business outlook as compared with $3.34 a share reported in 1957. This indicates the $1.60 annual dividend is well covered.

Hits Patman's Plan to Compel Interest on Tax-Loan Accounts

Text of letter of H. M. Arthur, President, Arthur State Bank, Union, S. C., to Representative Wright Patman follows:

"Congressman Wright Patman
"Washington, D. C.
"Dear Congressman:

"You seem to be 'spear-heading' the effort to force banks to pay interest on Treasury Tax and Loan Accounts. How in the world can any bank anywhere invest these funds in the very shortest of papers to make enough interest to pay the Treasury any interest or any amount on the same when the constant probability of a call for these funds is hanging over the heads of all bankers?

"I give you an example. Almost daily for the last 30 days, we have had a call against our account, and on the 15th day of September, we were called upon for 85% of the total on deposit with us. This left in our bank about $11,000.00. Please tell me and all other bankers where we could invest money that would bring us in any income for periods of 10 to 15 days. There simply is no such medium for the investment of these funds. We handle them purely as a convenience to our customers and the Government.

"My bank is one of those very small country banks with total assets of about $6 million, which comprise the bulk of the banks in the United States. What you propose, if put into effect, will force all of us to give up these funds and channel this money to the big city banks.

"Yours truly,
"H. M. ARTHUR,
"President"

Stanley Ringel Opens

ALBANY, N. Y.—Stanley B. Ringel is engaging in a securities business from offices at 90 State Street.

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Growth of Nation's Banking Institutions

ducted a survey of the compensation paid officers in 3,980 National banks with deposits of less than $25 million. The information was compiled from reports of examination made in the fall of 1956 through the spring of 1957. The figures show the average annual compensation of the five highest paid officers in National banks by deposit-size groups, Federal Reserve districts, location and economy of the area. The average compensation for the highest paid officer ranges from $4,764 for banks with less than $1,000,000 deposits to $20,145 for banks of $20,000,000 to $24,999,000. The data appear in our Annual Report for 1957 and merit careful consideration.

I feel confident that banking offers many attractions as a career, and I know that most of us are very happy that we entered this profession. At the same time we cannot lose sight of the importance of maintaining officers salaries on a basis which will be competitive with the compensation obtainable in other fields.

What is true of bank officers salaries is true also of those of bank supervisory staffs. I am glad to say that we have been able in recent years to improve very considerably the salaries paid by the Comptroller of the Currency to national bank examiners so that we are having and anticipate good success in maintaining an efficient and competent staff.

We believe also that adequate employee pensions and welfore funds are important and necessary in present day banking and should be established by all banks to the degree that is practical and suited to the circumstances of the particular bank. We have included in the Annual Report a summary of what National banks have been doing in this field. (Table VIII.)

Growth of Branch Banking

Branch banking presents an increasingly important and exacting bank supervisory task in 37 States, the District of Columbia, Hawaii, Puerto Rico and the Virgin Islands. There were 487 de novo branch applications received from National banks during the year 1957, of which 303 were approved, 118 rejected, 34 withdrawn, and 32 were in process of investigation and study.

At the yearend there were 4,023 branches, including four seasonal agencies, being operated by 685 National banks. (Table IX.)

The large number of branch facilities established during 1957 reflects the continuing population growth of suburban areas requiring new or additional banking services, parking problems in cities and larger towns, and the increased businsss volume of many banks which could not be accommodated adequately in their existing quarters. Increasing traffic congestion and parking problems in urban business sections continued to promote the need for drive-in banking service and 31% of the 401 branches opened for business during 1957 provided for this type of service.

During the year 1957 new legislation was enacted by several States permitting the esttblishment of limited facilities beyond the confines of the bank's place of business. A footnote is included to summarize the status of branch banking statutes of States and territories including reference to those changes. (Table X.)

During the past few years many banks have found it necessary to enlarge their operations through the establishment of facilities which are in close proximity and connected to an authorized office either by tunnel, overhead passageway, pneumatic tube, or a passageway under a canopy. The most usual type is the drive-in operation located on a bank's parking lot. Several States have recognized the need for this type of additional service facility by enacting specific legislation declaring such extensions by State chartered institutions not to be branches. Such facilities also are not considered to be branches within the meaning of section 5155 of the Revised Statutes (12 U.S.C. 36). Of 170 connected facilities setup by National banks located in 30 States, 86 have been established in States which do not permit branch banking, the largest numbers being situated in Florida and Texas, both of which States have applicable legislative provisions.

In closing, I wish again to express appreciation of the wonderful cooperation which our office has had from the National Bank Division, from your officers and committees, from the Washington staff, and from individual bankers. It has been a great pleasure to work with Bill Lockwood during this year, as it was with Sam Fleming in the year before. It is particularly good to note that Hulbert Bisselle will be your President for the coming year. He spends most of his business life just across the street from our office, so we shall be able to get together often and keep in close touch. I am also pleased that we can look forward to having John Coleman as Vice-President for the coming year. I urge that you give your Washington staff very full support for that is particularly important in these days when so many problems call for attention

TABLE VII

Statement Re-Reserves For Bad Debt Losses on Loans, June 6, 1957; Insured Commercial Banks (13,216 Banks)

(Does not include data on 440 noninsured State commercial banks with resources of $2.3 billion)

(Amounts in Thousands of Dollars)

	Banks, Resources: $5 Million and under	Banks, Resources: Over $5 Million	Total	Percent
Banks using reserve method (number)	3,193	3,519	6,712	50.80
Total resources	$8,510,263	$172,709,201	$181,219,484	87.40
Aggregate loans	3,331,014	79,849,229	83,180,243	89.60
Ineligible loans	270,845	7,059,731	7,330,576	90.10
Net loans	3,060,169	72,789,498	75,849,667	89.40
Total reserve for bad debts already established	64,498	1,466,507	1,531,005	2.02
Ceiling reserve for bad debts (under present formula)	85,432	1,755,353	1,840,785	2.43
Ceiling, 3 percent of loans	91,825	2,183,685	2,275,510	3.00
Increase over present ceiling	6,393	428,332	434,725	23.60
Banks not using reserve method (number)	5,331	1,173	6,504	49.20
Total resources	$10,719,139	$15,327,440	$26,046,579	12.60
Aggregate loans	3,906,238	5,748,573	9,654,811	10.40
Ineligible loans	281,188	454,052	735,240	9.90
Net loans	3,625,050	5,294,521	8,919,571	10.60
Reserves already established	0	0	0	0.00
Estimated reserve ceiling (under present formula)	------	------	216,747	2.43
Ceiling, 3 percent of net loans	------	------	267,585	3.00
Increase over present estimated ceiling	------	------	50,838	23.60
Ceiling, present formula	------	------	$2,057,532	----
Ceiling, 3 percent of loans	------	------	2,543,095	----
Net increase, 3 percent formula	------	------	$485,563	----

—RECAPITULATION—

(Amounts in Millions of Dollars)

	Number of Banks	Eligible Loans: Amount	Eligible Loans: Percent	Reserve for Bad Debts: Amount Established	Reserve for Bad Debts: Ceiling Amount	Percent of: Ceiling Reserve to Total Ceilings	Percent of: Amount of Ceiling to Amount Elig. Loans
No reserve for bad debts established	6,504	8,919	10.5	0	*216	10.5	*2.43
Banks with reserve for bad debts ceiling:							
1.99 percent or less	2,778	33,076	39.0	402	435	21.1	1.32
2.00 percent to 2.99 percent	1,689	25,505	30.1	547	641	31.2	2.51
3.00 percent or over	2,245	17,269	20.4	582	764	37.2	4.43
Total	13,216	84,769	100.0	1,531	2,056	100.0	---

*Estimated in same proportion to eligible loans as the total of ceiling of participating banks represents of their total eligible loans (2.43 percent).

TABLE IX

State	Branches in operation on Dec. 31, 1956	Branches opened for business during 1957	Existing branches discontinued or consolidated during 1957	Branches in operation Dec. 31, 1957
Alabama	42	5	--	47
Arizona	77	16	1	92
Arkansas	3	1	--	4
California	947	73	3	1,017
Connecticut	54	10	4	60
District of Columbia	27	2	--	29
Georgia	35	2	--	37
Idaho	62	4	1	65
Indiana	92	17	--	109
Kansas	--	2	--	2
Kentucky	44	5	--	49
Louisiana	67	7	--	74
Maine	26	5	--	31
Maryland	44	9	--	53
Massachusetts	146	12	--	158
Michigan	156	9	1	164
Minnesota	6	--	--	*6
Mississippi	10	5	--	15
Nebraska	1	--	--	*1
Nevada	16	3	--	19
New Hampshire	1	--	--	*1
New Jersey	168	19	1	136
New Mexico	17	1	--	13
New York	322	47	8	361
North Carolina	67	14	3	78
Ohio	202	33	1	234
Oregon	136	3	1	138
Pennsylvania	314	34	7	341
Rhode Island	39	4	--	43
South Carolina	68	9	1	76
South Dakota	23	--	--	23
Tennessee	78	14	--	92
Utah	31	6	--	37
Vermont	6	1	1	6
Virginia	82	14	--	96
Washington	203	11	--	214
Wisconsin	15	1	--	16
Alaska	6	2	--	8
Hawaii	21	1	--	22
Virgin Islands	1	--	--	1
Toal	3,655	401	—33	†4,023

*Established prior to enactment of McFadden Act, Feb. 25, 1927. †Does not include 23 branches in operation by 7 nonnational banks in the District of Columbia under the supervision of the Comptroller of the Currency.

TABLE VIII

Size of Bank Based on Total Deposits	Number of Banks Surveyed	Contributions Made By	Retirement or Pension Plan	Average Annual Cost Pension Plans: To Bank	Average Annual Cost Pension Plans: To Staff	Profit-Sharing Plan	Average Annual Cost Profit-Sharing Plans: To Bank	Average Annual Cost Profit-Sharing Plans: To Staff	Cash Bonus Plan	Average Ann. Cost Cash Bonus Plan	Other Employee Welfare Plans	Avge. Annual Cost Other Welfare Plans: To Bank	Avge. Annual Cost Other Welfare Plans: To Staff
Less than 5 million	2,063	Bank and staff	158	2,555	719	2	1,073	1,150	---	----	391	507	341
		Bank only	162	3,276	----	47	4,247	----	1,816	3,213	745	650	----
5 to 10 million	906	Bank and staff	173	4,929	1,312	1	3,769	1,475	---	----	282	1,021	759
		Bank only	196	5,937	----	63	5,386	----	822	6,722	382	1,154	----
10 to 25 million	599	Bank and staff	146	9,107	2,832	4	14,800	5,225	---	----	255	2,263	1,277
		Bank only	209	11,191	----	73	11,064	----	534	13,006	234	2,454	----
25 to 50 million	217	Bank and staff	62	17,642	5,924	5	13,333	5,133	---	----	118	4,788	2,208
		Bank only	85	23,612	----	41	27,975	----	193	23,087	72	4,571	----
50 to 100 million	125	Bank and staff	41	35,027	10,090	4	49,575	16,600	---	----	78	9,130	6,063
		Bank only	60	45,538	----	21	34,190	----	106	38,916	46	8,887	----
100 to 500 million	100	Bank and staff	49	100,622	36,251	3	129,600	56,700	---	----	57	24,346	21,298
		Bank only	39	115,854	----	21	160,586	----	86	99,263	39	32,126	----
Over 500 million	21	Bank and staff	10	1,202,040	161,970	2	352,900	203,350	---	----	18	176,939	107,256
		Bank only	10	666,300	----	5	776,200	----	14	296,143	3	118,922	----
	4,031	Total bank & staff	639	------	----	21	----	----	---	----	1,199	----	----
		Total bank only	761	------	----	271	----	----	3,571	----	1,521	----	----
		Grand total	1,400	------	----	292	----	----	3,571	----	2,720	----	----

in Washington. If you can find opportunity for frequent meetings of your committees in Washington, or if you can make individual visits, I believe it will be very helpful and for the good of the banking system. Again I suggest the fact that Hulbert Bisselle is located in Washington is going to be very helpful. I know he will spare time from his duties at The Riggs National Bank to work effectively for the good of the National Banking System. We shall call on him for important help and he knows that we will do all we can to help him.

I would like to mention the fine relations which I believe exist between the National Bank Division and the State Bank Division of the American Bankers Association. I think that much credit for this can be given to Ben Summerwill who, during his tour as President of the State Bank Division, showed an interest, which we gladly welcomed, in the aims, purposes and practices of our office. We had exchanges of views which were very helpful. Succeeding State Bank Division Presidents, Bob Bolton, Archie Davie and Ben Corlett have been equally friendly and understanding, and I know we have benefitted by the contacts which have been maintained between the officers and committees of the Divisions. I have known Ben Corlett since the days when we were classmates at the University of California, and I have been particularly encouraged and delighted by his coming to assume his duties as Senior Vice-President of the American Bankers Association in charge of the Washington office. Ben knows our business as a banker and as a bank supervisor. He grew up in National banks, became Superintendent of Banks for California, and occupied a top position in an outstanding and highly regarded Trust Company. He brings what we need and will give a final account of himself in Washington. You may be sure that we shall give him all the help we can.

And so to repeat what I said at the start, we are fortunate in having a wonderful banking system with an outstandingly able personnel. We have the opportunity and the obligation to work together for its continued progress and success, and I know that we will all do so.

TABLE X

States Permitting Statewide Branch Banking	States Permitting Branch Banking Within Limited Areas	States Prohibiting Branch Banking	States With No Laws Regarding Branch Banking
Arizona	Alabama [1]	Colorado	New Hampshire
California	Arkansas [4]	Florida	Wyoming
Connecticut	Georgia [3]	Illinois	
Delaware	Indiana [1]	Minnesota	
District of Columbia	Iowa [4]	Missouri	
Idaho	Kansas [4]	Montana	
Louisiana	Kentucky [1]	Nebraska	
Maine	Massachusetts [1]	Texas	
Maryland	Michigan [6]	West Virginia	
Nevada	Mississippi [3,8]		
North Carolina	New Jersey [1]		
Oregon	New Mexico [6]		
Rhode Island	New York [7]		
South Carolina	North Dakota [4]		
Utah	Ohio [2]		
Vermont	Oklahoma [4]		
Washington	Pennsylvania [11]		
	South Dakota [4]		
	Tennessee [1]		
	Virginia [1]		
	Wisconsin [4]		
Virgin Islands [10]	Alaska [5]		
	Hawaii [9]		

1 Permits branches within city and/or county of head office.
2 Permits branches within limits of county.
3 Permits banks in certain classes of cities to establish branches within limits of city of head office.
4 Permits only "offices," "agencies," "stations," "windows" or "branches" for limited purposes.
5 Permits branches within 100-mile radius of head office
6 Permits banks to establish branches within the county or county contiguous to the county in which the head office is located, or within a certain distance of the head office, or city in which the head office is located.
7 Permits banks to establish branches within the limits of the banking district in which the head office is situated.
8 Permits banks to establish only a limited number of branches.
9 Permits branches within certain geographical zones.
10 There are no provisions as to branches of local banks, but banks not organized in the Virgin Islands "may do business and establish office in the Virgin Islands . . ."
11 Permits banks to establish branches within the county or county contiguous to the county in which the head office is located.
(Reference should be made to the various statutes for detailed provisions of the law.)

New Federal Rules Covering Stock Transactions

Commerce Clearing House interprets recent Federal tax changes affecting tax computations on securities issuance and transfers.

New Federal stock transfer and issuance stamp tax changes recently enacted by Congress will affect present methods of figuring the tax on securities transactions, according to Commerce Clearing House, national reporting authority on tax and business law.

Stamp tax changes which become effective next January were made in connection with a wholesale revision of the Federal excise tax laws, the CCH report said.

Both the rates and basis for computing the tax on stock transfers have been changed. Under the new law, the tax on the sale or transfer of stock will be imposed on the actual value regardless of the par or face value, and the rate is 4 cents on each $100 or major fraction. The tax is not to be less than 4 cents or more than 8 cents per share.

The current tax is imposed on par or face value at the rate of 6 cents per $100 or fraction and at 5 cents per $100 on stock selling for less than $20 a share. On no-par-value stock, the transfer tax is presently 6 cents per share or 5 cents per share on stocks selling for less than $20.

While the rates are lower under the new law, basing the tax on the actual value, which in most cases would be the selling price, may make a difference in the total tax due. Thus transactions involving stocks of low par value and relatively higher current market prices would be subject to increased tax.

Gives Examples

Take for example, the common stock of a company with a par value of $1.66⅔ and selling for around $35 per share. Under the present law, a transaction involving 1,000 shares of this stock is subject to the transfer tax on $1,666.70 at the rate of 6 cents per $100, or $1.02. Under the new law, the transfer tax will be imposed on $35,000 at the rate of 4 cents per $100, or $14.

Brokers who present stock to transfer agents for issuance of new certificates must certify the actual value of the stock, the study says. The liability of the transfer agent is limited because he is given the right to rely on the certification.

Effect on Stock Issues

New stamp tax changes also affect stock issues. Like the new stock transfer tax, the stock issuance tax is to be based on actual value rather than par or face value. The new rate is to be 10 cents on each $100 or major fraction of actual value, whether or not the stock has a par value. The present rate for stock with a par value is 11 cents on each $100 of the par or face value of each certificate.

In the case of no-par stock, the current issuance tax is also 11 cents on each $100 or fraction of the actual value, unless the actual value is less than $100 per share, in which case the tax is 3 cents on each $20 or fraction of the actual value.

Each issuance of certificates is classified as a separate transaction under present law, so that a corporation must account for taxes on many fractions of $100. The new law, however, imposes the tax on the aggregate value of the stock issued by a corporation in any one day, rather than on the stock issued to each person. Since the corporation usually pays this tax, the change has the effect of eliminating the "breakage," as there can be only one fraction of a hundred dollars each day, rather than a potential fraction for each transaction.

The Act also provides an exemption from the stock transfer tax for the sale of an odd lot of stock by an odd-lot dealer to a broker for one of his customers.

The return of stock certificates or certificates of indebtedness representing securities put up as collateral for a loan is made exempt from tax, according to the CCH analysis of the new legislation.

Joseph Schonberg Opens

Joseph Schonberg is conducting a securities business from offices at 31 Union Square, N. Y. C.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Treasury in its latest financing went pretty much according to the rules by using short-term obligations to take care of its new money raising venture. Although the Treasury likes to have a surprise for the money market—when it is in one of its frequent operations—there was very little of it in this one, aside from the fact that a discount obligation was offered at a fixed price. The 3½% obligation and the special Treasury bill, with a 3¼% return were termed as being on the liberal side as far as income was concerned.

The fact that the near-term sector of the money market was selected for the new money raising of the Treasury indicates that the Government bowed to the inevitable, since a long-term obligation at this time could have had an adverse influence on the non-Federal outstanding and new securities that will be coming in for sale. Higher long-term interest rates, due mainly to the Government's crowdings of the capital market, might not be taken too kindly by the forces that are important to the recovery of the economy.

First in a Series of Treasury Operations

The $3,500,000,000 of securities just offered consisted of $1,000,000,000 of 3.50% notes, dated Oct. 1, 1958 and due Nov. 15, 1959, and $2,500,000,000 of 219-day special Treasury bills, dated Oct. 8, 1958 and due May 15, 1959. The bills were sold at a price of 98.023, equivalent to an interest return of 3.25%. Officials said this cash offering should carry the Treasury over until late November or early December, at which time there will be another new money offering in the neighborhood of $3,000,000,000.

December will also bring with it a major refunding operation, when slightly more than $12,000,000,000 of Treasury obligations come due, of which about $4,200,000,000 are in the hands of the public and $8,000,000,000 is held by the Federal Reserve Banks.

Because of the uncertain position of the intermediate and long-term Government market the Treasury did not enter that sector for its new money raising operation. There had been nonetheless considerable talk that a token offering of Government bonds would be made in this cash raising venture.

Inflationary Effects Minimized

The use of a special Treasury bill, at a fixed discount, was a departure from the usual method of financing. This procedure was necessary, according to Treasury officials, by the awkwardness of trying to sell a fixed interest bearing security and an auction-type obligation at the same time. Regular Treasury bills are usually sold on an auction basis. The special Treasury bill was selected to raise the bulk of the new money because experience has shown that well over half of the Treasury bills find a home outside of the commercial banking system. This tends to minimize the inflationary effects of the financing.

Long-Term Treasury Issue Impolitic

The decision of the Treasury to confine its new money raising operation to the short end of the market was not a surprise as far as the money market was concerned. It has been evident that a long-term Government obligation at this time would not have had a favorable effect on the long-term or capital market, since the only way in which the Treasury could have sold such an issue was to have made it competitive with the offerings of corporate and tax-exempt securities. Also the mortgage market would have been adversely affected by a long-term offering of Government bonds at this time.

Even though it is likely that new offerings of corporate obligations will not be as heavy in the future as they have been in the past, there is still enough money that has to be raised by others than the Federal Government so that the latter should not be offering securities with a long-term maturity at this stage of the recovery.

Inflation Psychology Dampened

The money market continues to reflect the neutral, or as some say, the "comfortable restraint" attitude of the monetary authorities and it is believed this will be the case unless there is another surge in the inflation psychology. The new offering of short-term securities by the Treasury to finance the current deficit will nevertheless add something to the money supply even if the bulk of these issues should be taken by those that could be classified as ultimate investors. On the other hand, the monetary authorities appear to have taken steps rather cautiously to stem the inflation tide to some degree, and there are indications that it is bearing fruit, since the inflation psychology does not seem to be forging ahead as rapidly as it was a short time ago.

N. Y. Analysts to Hold Dinner Forum

Herbert P. Buetow, President of Minnesota Mining & Manufacturing Company, will head the group of speakers at the management forum of The New York Society of Security Analysts, Inc., at a dinner meeting in the grand ballroom of the Biltmore Hotel, Thursday evening, Oct. 2, 1958.

Other speakers will be Clarence B. Sampair, Executive Vice-President in charge of tape and ribbon products and President of 3M International. Louis F. Weyand, Executive Vice-President and Director of Sales. George H. Halpin, Vice-Chairman of the Executive Committee.

Tariff for the dinner is $8. Reservations should be made with Haskell Sweet, 40 Exchange Place, N. Y. C.

Chicago Analysts to Meet

CHICAGO, Ill.—Analysis of Insurance Stocks will be the subject of the forum meeting of the Investment Analysis Society of Chicago to be held Oct. 2 in the Adams Room of the Midland Hotel. Members of the forum will be Robert A. Sjostrom, Shearson, Hammill & Co.; William W. Amos, the First Boston Corporation; and Evan L. Ausman, Miami Corp.

Stephen C. Dvorak Opens

WESTFIELD, N. J. — Stephen Dvorak is engaging in a securities business from offices at 638 Shadowlawn Drive under the firm name of Stephen Dvorak & Co.

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As We See It

been. If mortgage money presently becomes really scarce or even moderately expensive, and lenders are under the necessity of lending on the strength of their own judgment of the credit-worthiness of the borrower, we may be reasonably sure that the rate of new residential building will fall short of the goals of those who now undertake to manage the economy.

There are also other fields which are believed by some at least to be likely to suffer if money becomes dearer. Some of the current forecasts of automobile sales during next year are not likely to be realized in the absence of very substantial increases in the volume of instalment loans. A number of other lines of durable goods would in all probability be limited in the same way. And, of course, business enterprises need funds, particularly if they are to proceed vigorously to exploit technological advances and avoid so far as is possible the burden of excessively costly labor. All this is by way of saying that conditions in the money market and the investment markets have a good deal to do with the current rate of activity in the business community as a whole and doubtless with the volume of employment.

Other Considerations

But there are other and equally important considerations. As one member of the Board of Governors of the Federal Reserve System, M. S. Szymczak, said recently, " essential as it is to have a recovery under way, carrying with it promise of expanding job opportunities for those seeking work, it is still more essential that it be a recovery that lasts, and thus provides jobs that also will prove lasting," adding that "it is necessary for the System to recognize that inflation is not merely a phenomenon of rapidly rising prices. Indeed, if we wait until that stage is reached, we will have waited too late to be effective against the inflationary pressures that brought about the price increases." As unwelcome as the fact is to many who have enlisted under the banner of the New Deal or the Fair Deal, the truth is that there are times when it is most unwise to stimulate activity in fields of endeavor suffering from a slowing down of activity.

There is no area in the business or economic world so little understood and so badly misunderstood as that of credit and banking. There are many of the newer schools of thought who seem to suppose that what they like to call "money supply" is the controlling factor in industry and trade and imagine that by manipulating it something very close to permanent and unremitting prosperity can be attained. The supply of "money" is, of course, mainly determined by the volume of bank credit outstanding, and the Federal Reserve System can do a good deal—though not nearly as much as some seem to think—to cause that supply to increase or to shrink. It does not follow, however, that the course of business activity and of business growth will in any such way be determined or controlled, particularly over the longer run.

Higher Rates, But . . .

The downturn in business activity in 1953-54 and again in the latter part of 1957 has often been attributed to restrictive policies on the part of the Reserve authorities. It is true enough, of course, that money became tighter late in 1957 as was also the case prior to the decline in business in 1953. What is not understood nearly so well by nearly so many is the fact that the part that the Federal Reserve authorities played in tightening the money market upon both occasions was merely that of refusing to substitute fiat money for saving that was not taking place in amounts adequate to the needs of the day. The trouble was that the public was trying to buy more goods and services than the public would or could produce.

To revert to the matter of housing, if there are people who really want houses, and who have a reasonable prospect of being able to meet the financial commitments involved, and if there are other people with funds who are willing to entrust their savings to would-be home owners, there is every reason to approve home construction in the amounts which such accommodations can provide. If, however, there are no such savings out of which to finance the building of new homes, then to proceed to construct them anyhow by government subsidy or by the issue of bank credit is certainly to ask for trouble in the years to come. The question is, therefore, not whether some way can be found to stimulate housing construction by tinkering with the credit system but is merely whether or not the people who want the housing can meet the required commitments and if true savings can be found for the purpose.

Much the same can be said of the various other forms of activity which the New Dealers and the Fair Dealers would stimulate by one means or another. It has grown to be taken for granted that once any department of the economy begins to lag, it must be quickly restored to its former rate of growth. Few seem ever to inquire whether it would or would not be wise in the long run to do any such thing. This attitude, of course, makes criticism of the Federal Reserve authorities natural, almost inevitable, whenever they restrain the creation of funds by commercial banks to take the place of savings which do not exist.

Continued from first page

ABA Holds 84th Annual Convention

meeting was the largest held by the Association since 1922. The Association has 17,603 members and represents 98% of the banks in the United States and 99% of the nation's banking resources.

Ouster Move Fails

The most controversial membership-banking problem confronting the Association ended, leastways for the present, when a move to oust mutual savings banks from membership failed during the closing session of the convention. The move, led by Arthur T. Roth, President of the Franklin National Bank, Franklin Square, N. Y., was defeated by a vote of 1,445 "for" and 1,520 "against," which fell far short of 66⅔% necessary to amend the constitution.

Following this vote, William A. Lyon, President of the Dry Dock Savings Institution, New York, expressed his gratification to the leadership of the ABA for its stand "against dismembering the family of deposit banking" and announced a committee will be named to meet with representatives of the American Bankers Association regarding differences between Commercial banks and Mutual Savings banks which, he says, will revolve primarily around tax treatment of financial institutions.

Secretary of the Treasury Robert B. Anderson forthrightly analyzed the twin problems of price inflation and plight of government debt-management and financing. He strongly appealed to nonbanking financial institutions to help prevent monetization of the debt, and resulting pressures on price, by not allowing government bonds to enter commercial banking system by default.

Other speakers who addressed the Savings and Mortgage Division, State Bank Division, National Bank Division, Trust Division and general sessions generally confined themselves to the domestic economic scene and future state of American banking. A former Deputy Under Secretary of State, now the Vice-President of The First National Bank of Chicago, gave "An Analysis of Critical American Problems"; Hon. Ray M. Gidney surveyed the faster growth of mutual savings banks and savings and loan associations in our dual banking system; Hon. Jesse P. Wolcott expressed misgivings about the capital-asset ratio; and retiring President Joseph C. Welman dealt in part with the work of the Association and banking challenges still unmet. Other speakers gave the bankers the benefit of their views on agriculture, real estate, economic outlook, wartime preplanning, and proper ratio of stocks to bonds in trusts.

[Editor's Note — Texts of these addresses are published in this issue starting on page 15.]

Newly Elected President's Message

In his remarks of acceptance upon Inauguration as President of the American Bankers Association at the second general session of the Association's 84th annual convention, Lee P. Miller stated:

"I am very hopeful that during the coming year we can secure the passage of S. 1451, the Financial Institutions Act. This is the first attempt to recodify the banking laws since the Banking Act of 1933 and 1935, and it undoubtedly should be accomplished. I am also very hopeful that we may be able to secure an industry-wide tax reserve for bad debts, possibly ½ of 1% per annum with an overall ceiling of 5%.

"Of course, I do think that the stakes are high for banking because every downturn in business, such as we have just experienced, brings pressures for the government to get into the lending field on a large scale. We must answer this threat realistically, not merely by telling Uncle Sam that he should stay out of the lending business but by convincing our customers that we have confidence in them and can and will supply the credit needed for them to succeed. We must continue to dispel the false notion that bankers run to cover when the business weather becomes stormy.

Number One Problem

"I think that without question our number one problem as we look into the future is inflation. A steady growth in the economy based on population growth and family formations would be extremely healthy. Full employment is of course very desirable, but it must be based on production for use and not for the accumulation of inventories that are predicated on the expectation of rising prices. It should be related to capital expenditures that are required for the real needs of a growing economy and not those generated through the fear that inflation will make them too costly if delayed until the time they are really needed to meet growth requirements.

"Again, may I say to you that I look forward to the year ahead with full confidence in the ability of the banking fraternity to perform in a manner which will make all of us proud."

Bond Awards to ABA Top Officers

Banks of the nation were honored for patriotic services rendered the United States Treasury in the sale and distribution of Savings Bonds when Joseph C. Welman, outgoing President of the American Bankers Association, and President of the Bank of Kennett, Missouri, and Lee P. Miller, incoming President, and President Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, received awards from Secretary of the Treasury Robert B. Anderson. The awards were made at the First General Session of the Convention.

Welman Receives Nautilus Flag

Mr. Welman was presented by Secretary Anderson with the Navy's Union Jack that flew from the bow of the United States submarine Nautilus, after its recent under-the-ice voyage across the North Pole.

In his presentation, Secretary Anderson said:

"This Union Jack of 48 stars was carried by the atomic submarine Nautilus on its epic first voyage under the ice and across the North Pole. It was flown from the jack staff of the Nautilus in the harbor of Portland, England, at the end of her 21-day trip from Alaska.

"To Joseph C. Welman, of Kennett, Missouri, outgoing President of the American Bankers Association, in recognition of his untiring and devoted service to the U. S. Savings Bonds program, it is my pleasure to present this historic flag made available for this particular purpose by the Navy Department.

"Please consider it an expression of appreciation for patriotic service by ABA member banks as Treasury issuing agents for U. S. Savings Bonds, and as a symbol to remind us all of the close link between National Defense and the sale of U. S. Savings Bonds to help build America's Peace Power."

Award to Lee P. Miller

Mr. Miller was presented by Secretary Anderson with a certificate of appointment as Good Will Ambassador representing the Treasury Department. The Secretary said:

"And now, Lee P. Miller, as incoming President of the ABA, we are calling on you to help meet the greatest sales challenge for the Savings Bonds volunteers and staff since World War II — the consequence of world events we all comprehend. I know the Treasury will have the same fine help from the banks under your leadership as it had under your predecessors. Your work will benefit all Americans for generations to come, for it will help to keep the dollar sound and stable and thus to fortify America's Peace Power.

"And now, reposing special confidence in your patriotism, integrity and diligence, I do hereby appoint you Good Will Ambassaor for the U. S. Savings Bonds program. Here is your certificate of appointment."

Since the inception of the United State Savings Bonds Program at the end of World War II, the privately owned and operated banks of the country have been the principal agencies for the sales, distribution, and redemption of the Bonds. During the postwar years, the American Bankers Association has had an active committee and an organization of Savings Bonds chairmen in each state which has cooperated closely with the Treasury, especially in the sale of E and H Bonds to individuals as a means of gaining as wide a participation by citizens as possible in the financing of the government.

Resolutions Adopted

At the second session of the Convention the Association adopted resolutions covering domestic and international banking responsibilities, nonbanking competition, and sincere expression of appreciation for Joseph C. Welman's leadership and statemanship qualities of some long standing. The resolutions in full text, read as follows:

The United States is engaged in a constant struggle for survival against evil forces that seek to destroy freedom and its institutions. To preserve our way of life, our people must ever be aware of this obligation as individual citizens, as members of society, and

as standard-bearers of the ideals of the Free World.

Only determined effort will give us lasting security. This effort must be directed along three fronts:

(1) The development of a scientific and technological superiority that will give us military strength second to none.

(2) The maintenance of economic strength through an ability to produce with ever increasing efficiency.

(3) The preservation, through moral leadership and mutual aid, of our ties with other nations of the Free World.

To conform to the American way, these goals must be pursued in an environment of freedom for the individual—an environment in which man is not reduced to a mere robot without purpose and incentive, and without a sense of obligation toward others.

Military strength, economic vitality and world leadership in a free economy involve responsibilities that rest upon all of us. They require:

(1) A vigorous and growing economy, free from threats of serious inflation or deflation which sap economic vitality and hinder progress, and in which price stability is recognized as essential to maximum employment and prosperity.

(2) A proper balance between the requirements of national security and our desire for better living standards.

(3) The sacrifice of partisan interest and group pressures in favor of the broad national welfare, so that economic stability and growth can be fostered while still insuring the basic freedom of the individual to make his own decisions.

We bankers recognize these as essential to the survival of a free economy in a community of free peoples. We pledge ourselves to the pursuit of policies and practices that are consistent with them, and we shall encourage others to do the same.

In the fulfillment of this pledge, we acknowledge the responsibility of bankers in particular respects:

Soundness of Credit

Credit is a potent catalyst for economic growth. Wisely used, it is an asset indispensable to national security and higher living standards. Unwisely used, it is an instrument of instability, retarding economic growth and progress.

We pledge to support policies that seek to avoid unsound use of credit. We recognize that the flexible monetary and credit policy of the Federal Reserve System is essential to combat inflation and deflation. The Federal Reserve Board is to be warmly commended for its courage and responsiveness to changes in economic conditions, and particularly for its reliance upon the market place as the vehicle through which its policies take effect.

Federal Fiscal Policy

Recognizing that credit policy cannot operate effectively in an environment of unsound Federal fiscal operations, we pledge the support of efforts to return the Federal budget to a basis consistent with economic stability and the avoidance of inflation. To no small degree, the spread of inflation psychology in recent months is due to the prospect of a heavy government deficit. A continuing Federal deficit under inflationary conditions is unconscionable.

One of our major tasks is to carry forward the message of individual and group responsibility for sound Federal fiscal action. The desire of our people for more benefits from government must be balanced with the needs of national security. The people should understand that nothing is free. Especially to be commended are those in public life who, with a sense of statesmanship, have resisted efforts for tax reduction in the face of heavily increased expenditures, and those who have sought to place government appropriations on a sounder basis. They deserve and have the support of bankers.

The Federal Debt

In periods of threatening inflation, the management of the Federal debt is one of the most challenging responsibilities of government. The debt becomes a powerful potential force toward further inflation when holders of government securities seek to convert them on a broad scale into money with which to acquire tangible assets.

We bankers fully appreciate that Congressional fiscal actions impose a great problem upon the Treasury in financing a heavy Federal deficit under conditions of threatening inflation and a desire of investors for liquidity.

We pledge full cooperation with the Treasury in orderly financing of new and maturing debt obligations. We shall encourage other investors to participate in such financing.

Savings Bond Program

At no time since World War II has the Savings Bond Program had so much meaning for the American citizen. We must help to stimulate his patriotic incentive to share directly the financial responsibility for our defense program. The regular purchase of Savings Bonds is an effective means of impressing the importance of sound Federal finance upon our people while at the same time encouraging thrift—the base for personal security and economic progress. We bankers therefore pledge vigorous support to the Savings Bond Program. We do so, however, with the conviction that the program must be accompanied by an attack against forces of inflation that tend to destroy the value of our people's investment in their Savings Bonds.

Participation in Government

Good government requires active participation by community leaders in the formulation of our laws. It is an important responsibility of bankers, as leaders in thousands of communities, to work conscientiously, through their representatives in Federal and local legislatures, for sound legislation not only in the financial field, but in other areas close to the broad public interest.

International Responsibilities

America alone cannot hope to win the struggle against world communism. The health of our domestic economy and the demands made upon it are inseparable from the strength of the Free World. Having accepted the responsibility of world political leadership, we no longer can tolerate economic isolation.

This means that we must be willing to harmonize individual and group interests affected by international economic and financial relationships to further the broad objectives of national security and solidarity among free peoples.

We commend the 85th Congress for adopting measures to stimulate world trade and to assist other nations to strengthen their economies. We believe that this course is essential, in the long run, to both our military security and domestic economic health, and we favor such further steps along the road of international economic cooperation that will serve to attain these objectives.

Savings and Loan Associations

It is particularly appropriate that the resolution of the 1952 Convention with respect to savings and loan associations be reaffirmed by this convention. That resolution stated:

"We shall continue to press for and will propose remedial measures to correct any abuses existing through permissive rules, regulations, and the circumvention of States' rights in order to adjust the practices and operations of Federal savings and loan associations to reflect more clearly the worthy purposes for which they were originally created. We insist that the public should not be confused or misled through publicity or advertising as to the real and substantial differences between savings and loan associations and our banking institutions."

Taxation of Financial Institutions

The continued existence of inequity in taxation of financial institutions calls for intensifed efforts by the elected officers, appropriate committees, and staff. It is the declared policy of the membership of this Association that the elimination of inequity in the taxation of financial institutions be actively sought.

Appreciation

It was timely that during the past year the American Bankers Association had as its President a man of the qualities of leadership and statesmanship of Joseph C. Welman. We extend to him our sincere thanks and appreciation for his devoted service on behalf of the Association.

To the other officers and the members who have served on Divisions, Sections, Councils, Commissions, and Committees we also express our gratitude for their loyal and effective work.

The hospitality of our hosts, the Chicago banks is very much appreciated. We are grateful to the hotels, the press, and all others who have contributed to the success of our Convention and to the enjoyment of our visit here.

To Push Savings Bond Sales More Vigorously

In accord with Treasury's exhortation for increased Savings Bond's sales the Savings Bonds Committee of the ABA recommended that sales of United States Savings Bonds "be pushed more

Bruce Baird **James F. Stiles, Jr.**

vigorously than ever" next year to help meet the problems of mounting defense expenditures and inflation.

The Committee and the ABA Savings Bonds chairman in attendance at the Convention heard reports on Savings Bonds sales for the first eight months of 1958 which showed that purchases of E and H Bonds totaled $3,264,000,000 or 5% more than in the similar months a year ago, while redemptions of matured and unmatured bonds were 13% lower than in 1957.

During their meeting, Committee members and Savings Bonds chairmen were addressed by James F. Stiles, Assistant to the Secretary of the Treasury and national director of the U. S. Savings Bonds Division; and Mrs. Ivy Baker Priest, Treasurer of the United States.

During the session, Mr. Stiles, on behalf of the Treasury, made three presentations. To retiring ABA President Joseph C. Welman, who is President of the Bank of Kennett, Mo., Mr. Stiles presented a framed replica of a Savings Bonds advertisement featuring a message from Mr. Welman. The presentation was in recognition of Mr. Welman's leadership in behalf of the United States Savings Bonds Program.

Savings Bonds Chairman Baird

To ABA Savings Bonds Chairman Bruce Baird went two awards. One was a Treasury citation dated Sept. 21, 1958, "for patriotic service to community and nation through the United States Savings Bonds Program." The second was a silver medallion the size of a fifty-cent piece. On the face is a minute man and on the reverse is engraved "For Patriotic Service, United States Savings Bonds Program, Bruce Baird, 1958." Mr. Baird is President of the National Savings and Trust Company, Washington, D. C.

In announcing the ABA Committee endorsement of a stepped-up Savings Bonds program for next year, Committee Chairman Baird said: "At present our country is faced with military crises in the Middle and Far East. Military preparedness in the missile age will undoubtedly be expensive. Therefore, we recommend that the Savings Bonds Program be pushed more vigorously than ever as a healthy means of providing the Treasury Department with necessary funds to help finance the cost of our defense expenditures."

Mr. Baird said the Committee is "deeply concerned with the growing problem of inflation" and emphasized that the government "must take every possible step to prevent further erosion of the purchasing power of the dollar." Raising government money through the sale of U. S. Savings Bonds, he pointed out, permits the government to draw on genuine savings in placing its obligations and to avoid more inflationary types of financing. Sale of Savings Bonds is particularly important in times of deficit financing.

ABA Suggestions to Treasury

The ABA Committee recommended that the Treasury Department seek the following objectives during the next fiscal year:

(1) Increase the number of payroll savers from 8½- to 10-million, and broaden the payroll savings plan to include more companies.

(2) Expand and intensify promotional efforts among self-employed and professional people for the regular purchase of Savings Bonds.

(3) Increase the holdings by the public so as to maintain at least the present ratio of 15% of the total national debt in Savings Bonds (holdings are now $42½ billion).

(4) Increase the number of sales outlets of United States Savings Stamps so that they are available to additional millions of Americans, particularly school children and housewives, as instalment purchases of United States Savings Bonds.

Report of the State Bank Division

Acting President of the State Bank Division of the ABA, L. A. Hollenbeck, Chairman of the Board and President of the Farmers and Merchants State Bank, Iroquois, S. D., reported that:

"The Committee on State Bank Research has for 27 years put out an annual study on the 'Condition and Operation of State Banks.' The report also includes an annual study of earnings and expenses. This study covers 9,389 state-supervised banks as of Dec. 31, 1957, and shows that the total resources of these state-chartered institutions amount to $138 billion or 53.4% of all the banking assets in the United States, an all-time high. Their capital position was $548 million larger than a year ago. Of the 9,389 state banks in the nation, 8,867 were commercial banks (which include loan and trust companies, stock savings banks, private banks, industrial banks, and cash depositories), and 522 were mutual savings banks.

"A pause for thought might be appropriate here as the study shows that expenses were up 13.1% over the prior year, wages were up 8.1%, interest paid on time and savings money up about one-third, taxes were up 9.3%, excepting Federal and state taxes, which were up 16.9%.

"We are proud not only of this particular study of our Division but of several others; for instance, the brochure entitled 'State Bank Supervision — Problems and Opportunities.' We are proud of our participation in the joint meeting of the Committee on State Legislation, the State Association Section, and the officers and members of the Committee on Legislation of the State Bank Division, at which the subject discussed was 'How Can We Improve the State Banking System?'; and lastly, the panel discussion on state banking boards before the Committee on State Legislation at Atlantic City.

"A special committee of the Division appointed in 1955 to work in liaison with a similar committee of the National Association of Supervisors of State Banks met with the Executive Committee of the N.A.S.S.B. in Washington on April 10. There are a number of problems confronting the supervisors in their various states which were discussed in detail and steps were taken to attempt to assist them with their problems as well as strengthen the various state banking codes especially in regard to legislative questions. Many matters were discussed including the chartering of new banks and branches, responsibility of directors, salary, department budgets, as well as the organization of a new Washington office of the State Bank Supervisors. I really feel that this liaison committee has a proper and needed function to perform. . . .

"Now, lest you thing that the State Bank Division has no problems, let me make a few personal observations. . . . It is true in a sense that we in the State Bank Division are looking down the same gun barrel as the National Bank Division. We are interested in sound banking practices and good banks—but there the similarity ends. For instance, when members write in for action, bear in mind that we have 48 different sets of state laws to consider and what is proper in your state may be entirely contrary to law in mine. Even the way of life, interests, and needs of people may be entirely different. At any rate, we have to reconcile all these differences in order to work out a sensible overall program. In doing this, we have to contend with an appalling turnover in the officials in charge of the banking departments in some states. It is a shame how little some of these men in responsible positions are paid in some parts of the country. The result, of course, is that many of them take other jobs at the first opportunity. It often happens that when we send out an inquiry to all states, before we can get anything done, some of the key men of certain areas have been changed, necessitating starting over while new men acquaint themselves with their offices. . . .

"One thing that has come home to me very thoroughly is the thought that we as a nation seem to think that it is proper to take the easy way in everything from schooling of students to the running of a business. I don't mean that we are necessarily lazy, but we are overlooking our responsi-

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bilities. We cannot aford in banking today to shirk our responsibilities. We must be alert and forward-looking if we are to keep up with modern problems. There are forces at work in the nation today which could destroy our dual system of banking; and there are other forces which, if we are asleep, will take over our business in one way or another. Don't forget this for a minute. Let me add that if anything detrimental to banking starts, it makes no difference whether it does so in the largest city of the nation or in the smallest and farthest outpost. These ills do not correct themselves, but rather they tend to spread until they blanket the country. The time to correct such situations is when they are small and relatively unimportant, not after they have become conflagrations.

"If banking is to continue strong and be known as it is today, we must post ourselves. We must be alert and willing to stand and be counted.

"We don't have the time here today to go into all of these situations—but just take the matter of competition. We well recall the day when we had too many banks. Today there are many cities where you will see a certain bank on a certain location and within a block you will often see from 8 to 10 loan companies of various sorts. True, they may be small, but don't thing for a minute that they will all remain small and that they will not eventually get a good deal of the bank's business. We can't hold all of the business, but we had better take a hard look at our shops and see that we are not doing something to help the business go elsewhere."

Trust Division Head Speaks

Some of the activities of the Trust Division in past year were summed up by outgoing Trust Division head Walter Kennedy. The President of the First National Bank of Montgomery, Alabama, stated that during his incumbency some progress was made and some of the perennial problems still remain. "Candid reporting requires me to tell you that most of the items that were successfully concluded during my term of office were projects that were begun in previous administrations. In the same manner, however, some new projects were commenced during the current year that will not bear fruit until some years ahead. . . .


Walter Kennedy

"All of our 16 committees have held meetings during the year. The fact that a portion of the personnel on each committee is carried forward each year provides continuity to the programs and permits long range projects. . . .

"I will not summarize here all of the activities and accomplishments of all of our committees, but I will mention a few events that seem particularly significant.

"The Committee on Fiduciary Legislation has drafted a Model Act for the Incorporation of a Mutual Trust Investment Company, patterned after the New York statute, but it is broad enough for adoption in any state. This Committee is also working on several other model statutes.

"The Executive Committee approved the appointment of a Trust Legislation Council, with a member from each state. The Committee on Fiduciary Legislation and the Council are now preparing a fiduciary legislative pamphlet covering all of the model statutes affecting trusts that have been approved by the Executive Committee. The study will show what states have enacted the various statutes, the citations to the codes, whether or not changes were made, and any leading cases affecting the statute. This will be very helpful to trust men all over the country as a guide to the law in various states. All of the research work is being done by the Council members in the various states.

"The Committee on Handling Businesses in Trust has written a 'Handbook on Handling Businesses in Trust' that is now being printed. It is a very complete book, to be used for guidance in this most important field. The Handbook will be available in the late Fall. This Committee has done a wonderful job, and all its members are to be congratulated.

"The Committee on Trust Investments has been very active. Beginning in the September 1957 issue of the 'Trust Bulletin,' the Committee presented a series of five investment case studies. They were very well received, and the magazine 'Banking' reproduced part of them.

"Starting with the September 1958 issue of the 'Trust Bulletin,' the Committee is taking another look at the five studies, reviewing the investments in the light of the present market, and suggesting changes that seem desirable.

"The Special Committee for Publication of a Glossary of Trust Terms was approved in February. Its booklet should be well received by all trust departments. It will be available for distribution through banks to attorneys, C.P.A.s, and life underwriters, in addition to trust personnel and selected customers. The Glossary will be published late this Fall.

"The Committee on Statistics is progressing in an orderly manner with its study. It represents a most forward step in trust business. One hundred and thirty-two trust departments are now compiling data, and the report should be available after Jan. 1, 1959.

"The Committee on Trust Personnel is engaged in a study for the enlargement of opportunities for advanced training in trust business. It is likely that significant developments in this field may take place in the coming year.

"The four annual conferences of the Trust Division serve to keep our members abreast of current developments in our various fields of interest.

"Our great Mid-Winter Trust Conference, held annually in February in New York City, is in many ways unique in Association meetings. The 39th Annual Mid-Winter Trust Conference last February was attended by more than 2,100 persons and was inspiring as well as educational.

"The three regional conferences, consisting of the Mid-Continent Conference in November, the Southern Conference in May, and the Western Regional Conference in October are likewise meetings that are replete with benefit to the large numbers of trustmen whom they serve each year. These conferences are primarily educational in nature.

"The Trust Division is the only division in the American Bankers Association that publishes a periodical Our 'Trust Bulletin' is published ten months a year, September to June, by our professional staff."

National Bank Division Report

In his year-end report of the National Bank Division of the ABA, William M. Lockwood, Division head and President of the Howard National Bank and Trust Company, Burlington, Vt., pointed out that, "it is impossible to forecast the lengths to which the mass mind may go when captivated by anything so as the specter of inflation. The insidious thing about it is that the efforts to escape merely lengthen its shadow. We pray that a more sober reasoning may dominate our thinking and our actions. . . .


Wm. M. Lockwood

"We are told that at the end of 1957 there were 4,627 national banks then operating, with almost as many branches as there were chartered banks. The Comptroller states that 'based upon the fundamental considerations of managerial competence, asset soundness, adequacy of capital and earning capacity, an excellent condition continues to characterize the national banking system.' Ladies and Gentlemen, you who represent this great system can take much pride in that record. Although we are approaching our 100th birthday, we are not senile but vigorous and strong. We are not ready to retire.

"During 1957, deposits of national banks rose nearly $2 billion to a year-end total of $109.4 billion and had increased another $1 billion by June 23. Demand deposits declined moderately over the last year and a half while time deposits were up $2.9 billion at the end of 1957 and increased another $2.1 billion by June 23, 1958. Probably it is safe to generalize that in 1957 there was a shift, or a continuation of a trend begun earlier, from spending to saving. Perhaps this tendency was encouraged by the increase from 2½% to 3% in the maximum rate payable on time deposits made effective Jan. 1, 1957, by the Board of Governors of the Federal Reserve System.

"The increase in net loans was $2.3 billion, actually somewhat greater than the growth of deposits. After reserves approximating $1 billion, the system had net loans of $50.5 billion on Dec. 31 and $50.9 billion on June 23.

"At the end of 1957, total assets of national banks were $120,522,640,000, higher by $2,820,658,000 than at the previous year-end. By June 23, there had been a further increase of $1,946,175,000 to a total of $122,468,815,000. Associated as I am with a small bank, truly in the country, I must confess that such figures appear astronomical.

"Economic growth and expansion put a particular strain on the proper relationship of capital to risk assets. Banks, like business and industry, have found it difficult to retain enough earnings. It is significant that during 1957, 228 national banks undertook capital revision programs, which added $223 million to their capital structures. At year-end, the aggregate of capital funds and reserves slightly exceeded $10 billion, equivalent to 9.2% of deposits and 8.3% of total assets. There was $1 of capital protection for each $5.80 of risk assets. The Comptroller notes that, in the opinions of the examiners, the volume of assets containing substantial risk 'continues small in relation to the protection afforded by capital structures and reserves.'

"I commend to your reading a recently completed study by the Economic Policy Commission of ABA, which was published in the September issue of 'Banking.' It deals with the problems facing banks which desire to augment their capital funds through the sale of common stock. . . .

"For the National Bank Division this has been an active, though somewhat frustrating year in the field of Federal legislation. The Financial Institutions Act failed to win the approval of a majority of the House Banking and Currency Committee before adjournment of the 85th Congress. Enactment of this legislation would have resulted in many beneficial changes in the banking laws which, in part, are simply out of date. . . . Had more of us, with knowledge and conviction, discussed with our representatives the desirable changes contained in the Financial Institutions Act, the results might have been different. I urge each of you to accept your share of this responsibility. If you will, it is safe to predict that the 86th Congress will not adjourn without having made substantial and constructive amendments to the National Bank Act.

"There were, during the year, legislative accomplishments of interest and benefit to national banks. The Small Business Act of 1958 amends Section 24 of the Federal Reserve Act to provide that 'loans in which the Small Business Administration cooperates through agreements to participate, on an immediate or deferred basis, under the Small Business Act shall not be subject to the restrictions or limitations of this section imposed upon loans secured by real estate.'

"The Bankhead-Jones Farm Tenant Act was amended to increase from 10% to 25% the limitation on national bank loans insured by the Secretary of Agriculture pursuant to that Act.

"Finally, I direct your attention to the Small Business Investment Act of 1958, which was approved by the President on Aug. 21. Section 302 (b) of this Act provides that shares in small business investment companies shall be eligible for purchase by national banks in an amount aggregating not more than 1% of capital and surplus. This new authority permits national banks, and state-chartered banks to the extent authorized by state law, to be active participants in the small business investment company program.

"The Administrator of the Small Business Administration frankly states that he is looking to the financial institutions of the country, particularly the banks, to be the leaders in the formation and operation of small business investment companies. He believes that the majority of these companies will be organized as adjuncts or affiliates of existing or other financial institutions and thus may operate to enlarge the service of such institutions to their communities. Admittedly, the small business investment company program is experimental, involving greater than normal risks for banks. Nevertheless, every national bank should consider it carefully with the thought that active participation in the organization of such a company might enhance the bank's effective role in the area it serves. . . .

"Perhaps the most noteworthy single development of the past year for our division was the progress made in planning for an appropriate observance of the 100th Anniversary of the National Banking System in 1963. Last winter, President Welman appointed a special committee to confer with the special committee of the National Bank Division, chaired by Gibbs Lyons, formerly President of the Division. Their recommendations were adopted by the Administrative Committee of ABA and the Executive Council at their Spring Meeting in April. In their actions, these two governing bodies of the Association recognized the unusual importance of the 100th Anniversary of the founding of the National Banking System and the interest that all banking has in the appropriate observance of that event. Therefore, they authorized the National Bank Division to raise, on a voluntary basis from the Division's membership, the funds necessary to finance such an observance. Moreover, they authorized the President of ABA to appoint a Commission for the purpose of making and executing plans for the Centennial."

Report of Savings and Mortgage Division

John Adikes, President of the Savings and Mortgage Division, and President of the Jamaica Savings Bank, Jamaica, N. Y., stated that "savings deposits in banks have continued their upward trend during the past year. New high levels have been reached in both mutual savings banks and commercial banks. The total savings now held by all banks is nearly $94 billion, which represents an increase of $9 billion for the year ending June 30, 1958.


John Adikes

"For the second successive year, savings and time deposits in banks have increased more than share accounts in savings and loan associations. Compared with the $9 billion increase in 12 months in banks, share accounts in savings and loan associations increased approximately $5 billion. The total net amount of savings now in commercial banks is $61 billion and in mutual savings banks $33 billion.

Growth in Mortgages

"There has been renewed activity in mortgage markets, and in mortgage investing by banks. On June 30, 1958, banks held a total of approximately $45 billion in mortgage loans; commercial banks have 39% of their time deposits so invested, and the ratio of mortgages in mutual savings banks stands at 65% of their total deposits. The popularity of mortgage loans as investments of savings and time deposits in banks has been very pronounced in the years following World War II. At the end of 1945, total mortgage loans held by banks in the country amounted to $9 billion. At that time, commercial banks had 16% of time deposits invested in mortgages, and 27% of savings deposits of mutual savings banks were invested in mortgages.

"By the end of the year 1950, the total of all mortgages outstanding had reached $72.8 billion, up 105% in the five-year period. By 1955 the total amount of mortgages outstanding in the country had reached $130 billion, up 266% during the ten-year period. The $156 billion investment in mortgage loans which was outstanding at the start of 1958 was distributed as follows:

	Amount (billion)	% of total
Commercial banks	$23.3	14.92
Mutual savings banks	21.2	13.56
Savings & loan associations	40.1	25.65
Insurance companies	35.2	22.52
Other sources	36.5	23.35
	$156.3	100.00

Encouraging Savings Deposits

"The Savings and Mortgage Division of the ABA continues to encourage actively the growth of savings accounts in banks throughout the country. Through a greatly stepped-up savings advertising and public relations program,

every effort is being made to assist in meeting competition for savings.

"It is essential for banks to exert every effort in the field of thrift, for the competition for savings is so great that nothing less than an all-out drive will be successful.

Work of the Committees

"The work of the Savings and Mortgage Division is carried on by several active committees:

"Committee on Savings and Mortgage Development—Louis B. Lundborg, Chairman: The Committee on Savings and Mortgage Development actively seeks ways and means to help banks meet the growing competition for savings. . . .

* * *

"Committee on Investments — Louis S. Finger, Chairman: The Committee on Investments completed a comprehensive review last year of the Corporate Bond Study of the National Bureau of Economic Research, and its results were published in a booklet, 'Long Term Corporate Bond Experience.' "

* * *

The committee is presently making a study of the investment of savings funds in stock equities. It is intended to make available to member banks those basic investment principles which are believed valuable for banks in determining their policies for stock purchases, in those areas where state laws permit equities as investments for savings.

"Committee on Savings Management and Operations—Everett J. Livesey, Chairman: After several years of study, a simplified plan of "cost analysis" has been completed. It will be published soon in booklet form, and at present is being tested for accuracy and completeness by several banks which have agreed to try it. . . .

* * *

"Committee on Federal Legislation — Paul A. Warner, Chairman: This committee directs its attention to Federal legislation which is intended to correct unfair competition for savings. It has followed and reported on bills introduced in Congress relating to the expansion of the savings and loan industry, the Financial Institutions Act, and the Postal Savings system. Legislation affecting credit unions is also being followed.

* * *

"Committee on Real Estate Mortgages—Cowles Andrus, Chairman: Federal legislation affecting housing and mortgage credit receives the constant attention of the Committee on Real Estate Mortgages. The past several months have been especially active in this field, as numerous housing bills affecting the mortgage activities of all lenders have been prominent in Congress. The Emergency Housing Bill was passed by Congress on March 19, which further liberalized credit terms for mortgages and authorized nearly $2 billion in support of the housing market, through direct loans to veterans and by authorizing special assistance mortgage purchases by the Federal National Mortgage Association of FHA and VA loans at 100. . . .

* * *

"Committee on Personal Money Management—C. Arthur Hemminger, Chairman: A revision has been made of the booklet 'Personal Money Management.' It provides information for savings depositors and their families in planning personal financial affairs, and in maintaining a savings program to meet life's responsibilities.

"The previous editions of this booklet have met with wide acclaim, and more than 450,000 copies have been distributed to bank customers. The new edition appears at this early stage to be just as popular as ever.

* * *

"Committee on School Savings Banking — Frederick C. Ober, Chairman: The school savings program continues to grow, and in a recent survey made by the Committee on School Savings Banking there were approximately 5.2 million school children in 15,500 schools participating in the program, with $181.2 million on deposit in banks. This is an increase during the year of 277,000 school savers, 2,100 school, and $5 million in deposits."

Heads of ABA Divisions and State Association Section

Hulbert T. Bisselle is newly elected President of ABA's *National Bank Division;* Louis B. Lundborg, President of *Savings and Mortgage Division;* Louis E. Hurley, President of *State Bank Division;* Carlysle A. Bethel, President of *Trust Division;* and Jeff Burnett is head of the *State Association Section.*

Hulbert T. Bisselle

Louis B. Lundborg

Louis E. Hurley

Carlysle A. Bethel

Jeff Burnett

New Division Heads

Officers elected Sept. 22 for the four divisions and the State Association Section of the ABA are as follows:

National Bank Division

President: Hulbert T. Bisselle, President, The Riggs National Bank, Washington, D. C.

Savings and Mortgage Division

President: Louis B. Lundborg, Vice-President, Bank of America N.T. & S.A., San Francisco, Calif.

State Bank Division

President: Louis E. Hurley, President, The Exchange Bank and Trust Company, El Dorado, Arkansas.

Trust Division

President: Carlysle A. Bethel, Vice-Chairman of the Board and Senior Trust Officer, Wachovia Bank and Trust Company, Winston-Salem, North Carolina.

State Association Section

President: Jeff Burnett, Secretary, Arkansas Bankers Association, Little Rock, Arkansas.

Three ABA Staff Members Given New Titles

Three members of the Association staff were given new titles at a meeting of the Administrative Committee of the Association held Sept. 20 in Chicago, it was announced by G. Russell Clark, executive manager.

Hartwell Davis, since 1952 assistant secretary of the American Institute of Banking, was named associate secretary. The Institute is the educational arm of the ABA.

Mary C. Smith, assistant secretary of the ABA Trust Division, was appointed assistant editor of the "Trust Bulletin," nationally circulated publication of the Trust Division.

Thelma Boes, office manager in the Washington headquarters of the ABA, was named assistant secretary of the Association.

1963 National Banking Centennial Set

During the annual meeting of the National Bank Division, plans were launched for special activities during 1963 observing the 100th anniversary of the founding of the National Banking System in the United States.

Ben H. Wooten

In accordance with resolutions of the Association's Administrative Committee and Executive Council, ABA outgoing President Joseph G. Welman announced the appointment of a commission to plan and carry out a centennial celebration. Ben H. Wooten, President of the First National Bank in Dallas, Texas, has been named chairman of this commission, which will include in its membership the president and vice-president of the ABA and the presidents of its National and its State Bank Divisions as ex officio members.

In addition to Chairman Wooten, other members of the Commission, which was named officially as "Commission for the Observance of the 100th Anniversary of the National Banking System," will be: Gibbs Lyons, Chairman of Board, National Bank and Trust Company of Fairfield County, Stamford, Connecticut, (Vice-Chairman); S. Clark Beise, President, Bank of America N.T.&S.A., San Francisco; Robert V. Fleming, Chairman of Board, The Riggs National Bank, Washington, D. C.; Sam M. Fleming, President, Third National Bank in Nashville, Tennessee; Homer J. Livingston, President, The First National Bank of Chicago; Reno Odlin, President, Puget Sound National Bank, Tacoma; Everett D. Reese, Chairman of Board, The Park National Bank of Newark, Ohio; and Casimir A. Sienkiewicz, President, Central-Penn National Bank, Philadelphia.

Mr. Wooten pointed out that it is proposed that the 100th Anniversary observance take the form of a coordinated, national public educational movement implemented at the regional, state, and local levels.

"While the 100th Anniversary of the National Banking System would provide the theme, the program would seek to tell the story of banking as a whole," he said. "Purpose of such a program would be the betterment of banker - public relationships through fuller understanding and appreciation by every American of how the banking system works, particularly in terms of benefits to him."

1959 Convention to Be In Dade County, Florida

The Dade County, Florida, (including the Miami Beach resort area) bankers will be hosts to the 1959 Convention of the American Bankers Association, it was announced by Lee P. Miller, newly elected President. The dates for the Convention will be Oct. 25-28, 1959.

Appropriate Convention committees will be organized and announced to the ABA membership later. Hotel applications will be sent to members early in 1959. No applications will be accepted by the Convention hotels directly. Official reservation forms will be used and will be handled by the Convention Hotel Committee after it is organized.

Mr. Miller said that plans are being made for the 1960 Convention, which will be held in New York City Sept. 18-21.

Backgrounds of New ABA Top Officers

Thumbnail sketches of the new ranking officers of American Bankers Association follow:

LEE P. MILLER
President

Lee P. Miller, President of the Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, was born in that city and attended the Louisville schools.

He entered banking in 1911 with the Fidelity Trust Company, now the Citizens Fidelity Bank and Trust Company, of which he was elected President and a Director in 1949.

Mr. Miller has long been active in bankers association affairs. In the Kentucky Bankers Association, he was a member of the Jurisprudence Committee from 1937 to 1956, being Chairman from 1937 to 1951; Chairman of the Tax Research Committee from 1951 to 1954; and a member of the Executive Committee from 1938 through 1941, being Chairman in 1940-41.

In the American Bankers Association, Mr. Miller was identified for many years with the work of its legislative committees, particularly in the field of taxation. He was a member of the Committee on Federal Legislation for a number of years, and was its Chairman from 1955 to 1957. He was, likewise, a member of the Subcommittee on Taxation of the Legislation Committee and was its Chairman for several years. He was also a member of the ABA Special Committee on Excess Profits Tax during its life from 1952 to 1954. In addition, he served on the Committee on Taxation of the Trust Division of the ABA for 11 years and was Chairman for four years. He was a member of the Trust Division's Executive Committee for three years. He was Association Vice-President in 1957-58. He was elected President of the ABA at the 84th Annual Convention in Chicago on Sept. 23, 1958.

Mr. Miller has served on the Federal Advisory Council for the Eighth Federal Reserve District. He is President and Director of the Citizens Fidelity Insurance Company; Director of the Associated Industries of Kentucky, the Kentucky Chamber of Commerce, and the Louisville Investment Company; Chairman of the Board of Trustees of the University of Louisville; and Trustee of the Masonic Widows & Orphans Home.

Mr. Miller is married, has one son, and makes his home in Louisville.

* * *

JOHN W. REMINGTON
Vice-President

John W. Remington, President of the Lincoln Rochester Trust Company, Rochester, New York, was born in that city, and received his A.B degree from the University of Rochester and an LL.B. from Harvard University Law School. He is also a graduate, with the class of 1937, of The Graduate School of Banking, which the American Bankers Association conducts at Rutgers—The State University, New Brunswick, N. J.

During World War I, Mr. Remington served in the Navy, becoming a Lieutenant (jg). He is a member of the American Legion and the Veterans of Foreign Wars.

Before entering the banking business, Mr. Remington was a

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ABA Holds 84th Annual Convention

partner in the law firm of Remington, Remington, and Keating in Rochester. He was assistant United States attorney for the Western District of New York in 1924-25.

Mr. Remington became Trust Officer of the Lincoln-Alliance Bank & Trust Company in 1930 and Vice-President in 1935. In 1944 his bank merged with the Rochester Trust & Safe Deposit Company to become the Lincoln Rochester Trust Company. He became Executive Vice-President and Trust Officer in 1950, and in 1954 was named President.

He has been active in the New York State Bankers Association and is now serving a three-year term as a Director of the Buffalo Branch of the Federal Reserve Bank of New York.

In the Trust Division of the American Bankers Association, Mr. Remington has served as a member or Chairman of several committees. He served two three-year terms on the Executive Committee of the Division—1938-41 and 1945-48—and was Chairman of the Committee in 1947-48. He was Vice-President of the Division in 1948-59 and President in 1949-50. He was a member of the ABA Economic Policy Commission from 1953 to 1958. In June 1955, he received the Ayres Leadership Award from the ABA's Graduate School of Banking. He was elected Vice-President of the ABA at the 84th Annual Convention in Chicago on Sept. 23, 1958.

Mr. Remington is a member of the Rochester, New York State, and American Bar Associations. He is President and Director of the Rochester and Genesee Valley Railroad and Director of the Automobile Club of Rochester, Inc.; Alling & Cory Company; Curtice Brothers Company; Haloid Company; Stecher-Traung Lithograph Company; and Superba Cravats, Inc.

He is a Trustee of the Rochester Chamber of Commerce and the Rochester Bureau of Municipal Research, Inc. He is a Director of the Rochester Chapter of the American Red Cross and of the Society for Prevention of Cruelty to Children. He is a past President and Director of the Rochester Community Chest and a past President of the Alumni Association of the University of Rochester.

Mr. Remington is married, has two daughters and one son, and makes his home in Rochester.

* * *

ELWOOD F. KIRKMAN
Treasurer

Elwood F. Kirkman, President of The Boardwalk National Bank of Atlantic City, New Jersey, is a native of Philadelphia, and attended Dickinson Law School, Carlisle, Pennsylvania, and Georgetown Law School, Washington, D. C., from which he received an LL.B. degree. He was admitted to the New Jersey Bar in 1926 and is also a member of the American Bar Association.

Mr. Kirkman is senior member of the law firm of Kirkman, Mulligan & Harris of Atlantic City.

He has been a Director since 1932 and President since 1942 of The Boardwalk National Bank and has been a Director since 1927 and Chairman of the Board since 1955 of The National Bank of Ocean City, Ocean City, New Jersey.

He was President of the New Jersey Bankers Association in 1951-52.

In the American Bankers Association, Mr. Kirkman was a member of the Executive Council and of the Finance Committee from 1953 to 1957. He was also Vice-President for New Jersey on the Organization Committee in 1953-54 and a member of the Federal Legislative Council in 1955-56. He was elected ABA Treasurer at a meeting of the Association's Executive Council held at the close of the 83rd Annual Convention in Atlantic City, New Jersey, on Sept. 25, 1957; he was reelected for a second year at the meeting of the Executive Council held at the close of the 84th Annual Convention in Chicago on Sept. 24, 1958.

He is Chairman of the Board and Director of the Chelsea Title and Guaranty Company, Atlantic City; President of the Flanders Hotel Company, Ocean City; Director of the Dennis Hotel (Walter J. Buzby, Inc.), Atlantic City, and of the South Jersey Gas Company and the Pennsylvania-Reading Seashore Lines; past Director of the Community Chest and Welfare Council of Atlantic County and of the Atlantic City Chamber of Commerce; Trustee of Dickinson Law School and The Training School at Vineland, New Jersey; and President and a member of the Board of Governors of the Atlantic City Hospital Association.

Mr. Kirkman is married and has one daughter; he makes his home in Margate City, New Jersey.

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How Much Recovery by Year-End?

more plant capacity was reaching the production stage.

It is possible that the economy could have survived without a recession this temporary overestimation of needed capacity, had it not been for a second basic readjustment which was underway in the form of a sharp redirection of consumer purchases. Early in 1956, consumers began to lose their usual interest in durable goods. They continued to spend heavily, but almost all of the increase in their expenditures was directed to nondurable goods and services. In the 21 months from the beginning of 1956 to the third quarter of 1957, consumers increased their spending on nondurable goods and services by \$23 billion, or 10%. Their expenditures on durable goods rose only 3%.

The combination of a cutback in business orders for durable equipment and a virtually stationary consumer demand for durable goods meant that the whole durable goods manufacturing sector of the economy began to experience rather poor times even while the rest of the economy continued to expand. Since durable goods manufacturers were unwilling immediately to adjust output downward, their inventories began to rise. By the middle of 1957, the durable goods sector was faced with high inventory-sales ratios, with plant capacity which, though not too large for the long run, was nevertheless temporarily excessive, and with demand which had virtually ceased rising.

It was unfortunately at this juncture that export demand declined abruptly following the clearing up of the Suez situation, and the Federal Government imposed a severe cutback on defense orders. These final blows were sufficient to end all hope of adjustment to temporary overcapacity and to the switch in consumer demand, so that manufacturers began the process of inventory liquidation which took the economy into the recession.

Governmental Counter-Measures

Now let's turn to the second question, "What steps were taken by the Federal Government to deal with the developing recession?" At first, the Government did nothing at all. Although this may sound like a strange policy, I believe it is the correct policy in the very early stages of a recession. It would be a great mistake for government to attempt to prevent all adjustments in the economy—partly because the Government might attempt to cure a recession which was not going to occur at all, partly because a certain amount of adjustment is necessary and healthy, and partly because curing recessions before they happen would inevitably turn out to be an extremely inflationary course. In addition, it should be remembered that what are briefly called the "built-in stabilizers" come into play fairly early in a business downturn without the necessity for any change in government policy.

By January of 1958, however, the recession had been underway for five months and it was becoming clear that, for lack of any decisive government action, business had embarked on a policy of inventory liquidation so violent that it substantially exceeded anything we have seen in all the years since national inventory figures were first collected. Businessmen also cut back sharply on their expenditures for plant and equipment—much more sharply than they had done in either of the two previous postwar recessions. The decline in business inventory and capital spending meant, of course, a severe reduction in production, which in turn resulted in a rapid rise in unemployment. This situation continued, and became worse, in February and March.

While the reticence of the Federal Government in late 1957 was desirable, it is difficult to justify the continued inaction of government during the early months of 1958. During these months, manufacturing output was severely curtailed, construction declined, unemployment rose, and business psychology reached a very low ebb. Yet official government figures show that defense spending was actually *declining*. Despite much talk about assistance to the construction industry, construction contracts actually awarded by the Federal Government in the first three months of 1958 were *below* the volume awarded in the comparable period of 1957. At the time when the private economy most needed a stabilizing influence, the net effect of positive Federal Government action was to drag down, rather than buoy up, production and employment.

I hope you will realize that I am talking economics, not politics. During this period Congress was controlled by one political party, and the Administration by another. Anti-recession policy was as nearly the responsibility of both parties as it is ever likely to be. I am interested not in assigning blame, but in evaluating the effectiveness of our anti-recession policy so that we may learn something from the experience.

Belated Governmental Response

The second stage of government policy was reached in April and May. Since by this time it was clear that some positive government action was needed, the issue resolved itself into whether income taxes should be cut to provide immediate stimulation to consumer demand or whether a large program of government public works should be initiated. The debate consumed several months, with government apparently finding it difficult to reach any decision. The final result was that the income tax was rejected, and a moderate public works program was accepted. In the interim, however, a number of constructive steps were achieved—the most effective being the passage of the Housing Act, pay increases for government workers, an extension of the unemployment compensation period, a rapid increase in Federal construction contracts awarded, and a very slow and small rise in defense spending. It might be noted that defense spending in the second quarter of this year was still running below the 1957 rate of spending.

Now for the third question—"What have been and what will be the effects of these government actions?" It seems to me that the answer is as follows: (1) Because the Government took no positive action until the bottom of the recession had already been reached, the severity or sharpness of the downturn was not lessened at all. (2) The actions of the Federal Government in the second quarter of the year contributed substantially to the sharp upturn from the bottom of the recession. The fact that defense spending showed virtually no rise indicates, however, both a very poor state of military forward planning and an unfortunate failure to capitalize on an opportunity to secure defense goods at practically no real cost to the economy. (3) The slowness with which government programs got underway means that we are now left with a legacy of barely-begun government projects which will contribute to inflationary pressures in the future.

Were There Better Policies?

The last question which I will take up before giving my estimates for the remainder of the year is "How could government anti-recession policy have been improved?"

(1) As I have indicated, the initial period of inaction in late 1957 was desirable.

(2) In January, the Federal Government should have substantially stepped up its rate of ordering of staple items, the need for which is quite predictable. If orders had been placed for all staples required for 195 and 1959, the Government would have headed off some of the unnecessary liquidation in process in the private economy, would have secured these goods at low real cost to the economy, and would have avoided the inflationary pressure which it will now impose as it gets around to ordering for 1959.

(3) In February, personal income taxes should have been cut across-the-board. An income tax cut is the quickest, least wasteful, method of halting a business decline. It is not true that an income tax cut would have increased the government deficit. Almost all the government deficit is due to the decline in business activity, not to an increase in government spending. Under the conditions existing at the beginning of this year, an income tax cut would have halted the decline in February, would have avoided excessive inventory liquidation, and would have increased employment and incomes sufficiently to maintain and quite possibly even raise Federal tax receipts for the year as a whole.

I believe that income taxes are too high anyway, and I do not expect to see Federal expenditures cut in the future as long as high taxes provide the money to pay for such expenditures. Certainly, the time to cut taxes is not during some future inflationary boom. If we cannot cut taxes during a recession, I have grave doubts that we will ever succeed in cutting them.

(4) Defense spending should have been stepped up promptly and vigorously early in the year. If it was possible for the Federal Government to buy defense goods in the second quarter of *1957* at a \$47.5 billion annual rate, it is difficult to understand why we were getting defense goods in the first quarter of this year at only a \$45.5 billion rate.

(5) Finally, if prompt action had been taken along the lines I have indicated, we would not be faced at present with the fact that both defense spending and slow-moving public works projects are just now approaching the boom stage and will continue to compete with private demand and pose inflationary problems in the years ahead. We would have avoided the unnecessary public works and would have secured a portion of our defense goods at low real cost.

Now let's turn from anti-recession policy to an estimate of the pace of the business recovery in the remainder of this year. The low point of the recession occurred in April. In reaching this low, gross national product had dropped from a peak \$446 billion annual rate in the third quarter of 1957 to an annual rate of \$426 billion in the first quarter of this year—a decline of \$20 billion, or 4.5%, in the rate of production of goods and services. In the second quarter, gross national product recovered to \$429 billion. Although this recovery marked a sharp reversal from the downward trend, the mere fact that output rose does not necessarily mean that the upward path is to be continued. In order to estimate the pace of the

MAJOR ECONOMIC MEASURES: 1953-8

(All seasonally adjusted. All, except index of industrial production, at annual rates)

	1957 First Quarter	1957 Second Quarter	1957 Third Quarter	1957 Fourth Quarter	1958 First Quarter	1958 Second Quarter	1958 Third Quarter	Full Year 1953	Full Year 1954	Full Year 1955	Full Year 1956	Full Year 1957	Full Year ‡1958
Gross National Product (billions)	436.3	441.2	445.6	438.9	425.8	429.0	453.1	365.4	363.1	397.5	419.2	440.3	438.2
Inventories	1.1	2.9	2.2	—2.3	—9.5	—8.0	1.0	0.4	—1.6	5.8	5.4	1.0	—4.6
Business capital expenditures	47.6	47.7	47.7	47.3	42.1	41.0	40.5	36.1	35.1	39.3	45.1	47.4	40.9
Export gap	4.2	4.2	3.6	1.9	0.5	0.5	0.5	—2.0	—0.4	—0.4	1.4	3.5	0.5
Federal government purchases	50.5	51.5	50.9	50.5	50.9	51.9	54.1	59.5	48.9	46.8	47.1	50.8	52.5
Defense	(45.8)	(47.4)	(46.9)	(46.0)	(45.6)	(46.0)	(47.8)						
State government purchases	35.9	36.0	36.1	37.8	38.6	39.1	41.5	24.9	27.7	30.3	33.1	36.3	39.9
Housing expenditures	17.2	16.5	16.9	17.6	17.1	16.2	18.5	13.8	15.4	18.7	17.7	17.0	17.9
Consumer spending	279.8	282.5	288.3	287.2	286.2	288.3	297.0	232.6	238.0	256.9	269.4	284.4	291.1
Index of industrial production	146	144	145	139	130	128	143	134	125	139	143	143	135
Private housing starts (thousands)	943	984	1,028	1,010	930	1,020	1,120	1,068	1,202	1,310	1,094	993	1,070
Consumption of all goods & services	435.2	438.3	443.4	441.2	435.3	437.0	452.1	365.0	364.7	391.7	413.8	439.3	442.8

‡Estimated.

business recovery in the third and fourth quarters of this year, we must examine the strength or weakness of each of the individual spending segments which go to make up total national expenditure and thus total national output.

Examines Spending Segments

Inventory Spending: Of the total recession decline of $20 billion in GNP, $12 billion was due to reduction of production in order not only to halt the rise in inventories but to cut inventories down to a more reasonable level relative to sales. Businessmen switched from accumulation of inventories at a $2.2 billion annual rate in the third quarter of 1957 to a liquidation of inventories in the first quarter of this year at the unprecedented rate of $9.5 billion.

In the second quarter of this year, encouraged by the maintenance of a high level of consumer buying and an increase in State and local and Federal Government purchases, businessmen slowed the reduction of inventories. As often happens following an inventory recession, some industries began to find inventories too low, so that a step-up in ordering has begun to occur all along the line. (In recent weeks, there have been widespread reports of lost sales at retail because of inadequate inventories.)

It is probable that the rate of inventory liquidation has now fallen to $2 billion, compared to $9.5 billion in the first quarter. In the fourth quarter of this year, the liquidation is likely to be over, and a small rise of about $1 billion annual rate is probable.

The inventory turn-around alone is thus likely to push production in the fourth quarter of this year to a rate $10.5 billion above the first quarter.

Business Capital Expenditures: After declining by $5 billion in the first quarter of this year, business spending on plant and equipment fell by only $1 billion in the second quarter.

There is likely to be a further $1 billion decline in capital spending in the third quarter, but by the end of the year plant and equipment spending will again be on the rise. Overly hasty abandonments of capital programs are being rescinded, with many corporate treasurers a little chagrined at not having taken full advantage of the easy money market earlier this year.

Plant and equipment expenditures will rise from the third quarter low point to about $40.5 billion in the fourth quarter. Despite the beginning of a recovery, the fourth quarter rate will still be $1.5 billion below the level in the first quarter of this year.

Net Foreign Investment: The excess of our exports over imports fell sharply following the end of the Suez crises, and leveled off at $0.5 billion in the first two quarters of this year. Imports are likely to be maintained at the current high level, and uncertain economic conditions in some European countries make an increase in our exports unlikely. The U. S. economy will probably receive no additional stimulus from the foreign trade segment during the remainder of the year.

Federal Government Spending: The performance of Federal Government purchases of goods and services during the first half of this year has been one of the most surprising aspects of the recession. Government purchase orders have been increased moderately, and there has undoubtedly been an effort to speed up final purchases, but actual results have dragged astoundingly. Deliveries of defense goods and services in the second quarter of this year were still below the average for 1957, and were running $1.5 billion below the rate in the second quarter of 1957. In other words, defense deliveries in mid-1958 were still not back to the pre-cutback, pre-Sputnik level. Although the defense program is lagging, non-defense purchases have moved up slightly so that total Federal purchases are now fractionally above the 1957 level.

The very fact that the government moves slowly, however, ensures that Federal Government purchases will rise in the second half of this year. There are at present rumors of a new spending cutback in Washington. But it will be as difficult to stop the elephantine course of government spending as it was to get it underway.

Federal Government purchases of goods and services in the fourth quarter of this year are likely to rise $3 billion above the first quarter rate.

State and Local Government Spending: Throughout the postwar period, in recession as well as boom, state and local government purchases have continued to rise. The increase in state and local government purchases during the 1958 recession has far exceeded the increase in Federal Government purchases.

This increase is likely to be accelerated in the last half of this year because of the speed-up in the Federal-State highway program. State and local government purchases of goods and services, which now total to a figure 76% as large as Federal spending, will probably match the Federal increase of $3 billion between the first and the fourth quarters of this year.

Expenditures on New Housing: Housing starts fell to a 900,000 rate early this year, partly because of the recession and partly because of unusually severe weather. After the passage of the Housing Act and with the development of an easy money market however, plans for increased residential construction mushroomed, and the seasonally adjusted housing start rate has risen steadily in every month since March. The volume of applications for FHA commitments has set all-time records in the past two months, so that housing starts during August and September are likely to go over the 1,200,000 rate. It is my guess that this will prove to be the peak for the year, with the seasonally adjusted rate dropping back to just over 1,100,000 in the final quarter. Privately financed starts for the full year will total about 1,070,000, with publicly financed starts amounting to about 55,000, for a total of 1,125,000 starts.

There is of course a lag between housing starts and residential construction expenditures, as can be seen from the accompanying table which shows housing starts rising in the second quarter while housing expenditures fell. Expenditures will jump upward in the third quarter and go still higher in the fourth quarter. Spending on homes toward the end of this year will run about $1.5 billion above the first quarter rate.

Consumer Spending: Consumers have continued to spend throughout the recession at close to the peak 1957 rate. Despite rising unemployment and shorter working hours early this year, consumer purchases averaged $6 billion above the rate in the first half of 1957. The basic stability of consumer income was strengthened by extension of the unemployment compensation period in a number of states, and substantial increases in pay rates for military and Federal Government workers further swelled consumer buying power. Wage rates in most private industry have continued to climb, and the average workweek has increased considerably from the recession low point. Average weekly earnings in all major segments of the economy at mid-year were higher than at mid-1957.

Consumer buying gives every promise of continuing to climb during the remainder of the year. A conservative estimate would place consumer purchases at a $297 billion rate in the fourth quarter, $10 billion above the first quarter level.

The big question about consumer purchases — and therefore about the performance of the economy as a whole — in the months ahead is whether the 1959 automobiles will sell well. If they do—and all *economic* factors point to good sales — then consumer purchases will rise by more than the $10 billion I have estimated.

A further problem is the possibility of an extended automobile strike. A long strike would seriously hurt the recovery. Although I have no particular insight in this area, I would bet against it.

The General Business Outlook

Now let's sum up the various segments to get an estimate of probable GNP in the last quarter of this year. Compared to the first quarter rate: Inventory purchases are likely to increase by $10.5 billion; business capital expenditures will probably be down $1.5 billion; net foreign investment will show little change; Federal Government spending will be up $3 billion and state and local governments will contribute another $3 billion; housing expenditures are likely to rise $1.5 billion; and consumer spending will probably be up $10 billion. Total expenditures are thus likely to top the first quarter rate by about $26 billion.

Gross national product in the fourth quarter seems to me likely to exceed $450 billion—$7 billion above the 1957 peak rate, $13 billion above the total 1957 figure, and $14 billion above the fourth quarter of 1957. Gross national product for the full year 1958 will approximately equal the 1957 total.

The 1958 recession thus seems likely to go down in the history books as the sharpest, but by all odds the shortest, of the three mild postwar business setbacks. The lessons which we can learn from these temporary downturns —if we take the time to review our mistakes — will ensure the continued world leadership of the American enterprise economy.

To Give Course on Industrial Electronics

Daystrom, Incorporated, under the auspices of the New York Society of Security Analysts, will conduct a four-session course on the Fundamentals of Industrial Electronics. The course will be conducted in the Great Hall, New York Chamber of Commerce, 65 Liberty Street, from 3:00 to 5:15 p.m., on Oct. 15, 22, 29 and Nov. 5. The four sessions will cover the technology, applications, the business and economic implications of electronics in industry. Topics include:

(1) Basic Electricity.
(2) Elementary Electrical Devices.
(3) Basic Electronics Devices.
(4) Nucleonics.
(5) Computers and Inventory Machines.
(6) Industrial Control Devices.
(7) The Research and Development Problem.
(8) The Promise of Electronics.

Mason Mtg. & Inv. Corp.

WASHINGTON, D. C. — Mason Mortgage & Investment Corp. has been formed with offices at 2633 Fifteenth, Street, Northwest to engage in a securities business. Officers are Edward Mason, President; Jacob Sopher, Executive Vice-President and Secretary; John L. Meakin, Vice-President; and Edward A. Mason, Treasurer.

Securities Salesman's Corner

By JOHN DUTTON

Meet Mr. Whitford

Some people who read columns like this, I suppose, have a doubt concerning the validity of stories such as the one I am going to tell you this week. But it is the unusual happenings in life that prove that some of the basic truths we have learned about living and working do work out to the advantage of those who believe in them and practice them. This is a true one—regardless of your scepticism to which you are surely entitled.

One day last week my phone rang and my secretary told me that a Mr. Whitford was here to see me. Somewhere back in my memory I tried to place the name and then I remembered. Could this be the same man? About four years ago coming back from a trip to a city about 250 miles from my office I travelled about 50 miles out of my way to make a call on a man who had answered one of our advertisements. It was a hot day, I remembered it well. I spent about an hour with a Mr. Whitford and his wife. He was recovering from a serious illness and was in a wheel chair. We had a long talk about their securities. I made mention of the fact that there was no brokerage firm in the small city where he lived and offered assistance by mail and phone. I left with a list of their securities and from time to time over the years my office sent him information regarding his stocks. During this entire period he had not made a single inquiry by phone or letter about his holdings. Yet the name came back to me and I told my secretary to have Mr. Whitford come into my office.

I've Thought of You

As he came in to see me this man said, "You may not remember me because the last time you saw me I was in a wheel chair, but I've many times thought of you;" It was the same man. Then I asked, "This is one of the nicest things that has happened to me in a long while. Just why in the world, after all this time, did you finally come to see me?" Then he explained that he finally closed his account with a brokerage firm with whom he had been doing business back in his home state (many miles away) and that he remembered our visit and decided he was ready to do some business with me. He told me that he appreciated the information we had sent him over the years, and also that he had moved to another city only a short distance from my office and now it was convenient to work with me on his account.

Before he left my office he gave me a complete list of his present holdings; he left me some orders for securities he wished to buy; and we discussed the matter of how much he should invest of his present cash funds. It took four years for this sale to jell and for this account to materialize but it proves one point—**no work that you do, if it is constructive and sincere, is wasted.**

Let Us Analyze

(1) The call was made on a lead secured from advertising necessitating a visit to a prospect far from the home office, but it was consummated as part of a business trip to another city. If the call had not been made, the lead would have been wasted. (You never know how good a lead can be unless you make the call.)

(2) The customer's investments were discussed, the list was followed by mail and a service was rendered. (Keep your name constructively before your customers and prospects).

(3) There was no pressure selling but a desire to help and a follow through by mail. (You sell service, not securities.)

(4) People move around. The man who cannot give you business today because he lives too far from your office, or has another broker, or who may be in a wheel chair, may someday move close to your office, change his broker, and walk again as good as new.

Make The Calls

Meet people who are investors; the more of them you meet on a favorable basis, the more you expose yourself to the proper relationships with other people who are possible clients, and the greater your volume of business will become providing:

(1) You find out your investor's objectives, his desires, his inclinations regarding investments and his capacity to make decisions.

(2) You understand your business, you are up to the mark not only as a salesman, but as an investment counsellor.

Since this little piece has been in the first person may I add—there are not enough hours in the day to study what is going on in this world; to keep up with the economic background of events; the bond market; the stock market; corporation news; and special situations that make up the background of what a top-flight securities salesman should know. This is a demanding business, every day there is a new set of events. If you like this business you'll give it all you have even when you have been at it for many, many years. I know of no other occupation that is more of a taskmaster but those who read these words and can say with me, "It's not only my way of making a living but my hobby and my avocation as well," will understand. And then don't forget—once in a while you should take off a day for fishing. But don't anyone write and ask me to write a column on that—I can still hold my end up pretty well with some of the rest of the boys in my neck of the woods when it comes to selling stocks and bonds—but don't ask me how well I do at fishing!

Sailer Co. Consolidates With Thayer, Baker

PHILADELPHIA, Pa. — The consolidation of the business of Thayer, Baker and Company and A. J. Sailer and Company was announced today by Wallace M. McCurdy, President of Thayer, Baker and Company. A. J. Sailer and Company, formed in 1924, joins the Thayer, Baker organization, established in 1920.

The managing partner of the Sailer firm, John P. McCoy, was elected a Vice-President and Director of Thayer, Baker and Company.

The A. J. Sailer and Company offices in the Land Title Building will be discontinued and will be located in the Philadelphia National Bank Building.

Wallace M. McCurdy and John P. McCoy are members of the Philadelphia-Baltimore Stock Exchange and associate members of the Boston and Pittsburgh Stock Exchanges.

R. Fulton Cutting II

R. Fulton Cutting II, associated with Moore, Leonard & Lynch, New York City, died Sept. 28.

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Invisible Sound Barriers Restraining Our Economy

ness failures. But we must keep in mind that had these businesses remained in operation, our overall system would have been that much less efficient.

Let me make myself clear on this point. I am not urging a "public be damned" attitude on the part of businessmen. I say that under our economic system both private and the public good will be best served if businessmen strive first and foremost for the biggest possible profits, doing so within the accepted legal, ethical and social ideas of the day.

When the Public Is in Danger

It is when the attitude prevails that business is in business first to serve and only secondly to make a profit—it is then that the fire of initiative goes out under the boiler of performance. It is then that the escape valve is tripped and the steam pressure goes down. It is then that the public interest is indeed in danger.

So my first recommendation for increasing sales is this: industry as a whole—and corporations individually—must explain over and over again, to their employees and the public that profit is nothing to be apologized for; that it is the essential element that makes our economy tick; that the more profits each individual company earns, the healthier will be our economy.

What Thomas Watson did with the word "Think" we should do with the word "Profit." He gave it a respectability and a power in a field and at corporate levels where "thinking" had been regarded as something required only of the next man up the line. That is the way too many workers of all levels of industry today regard profits. And that attitude cannot be allowed to prevail.

Resistance to Pressure

The second new obstacle that has developed in recent years to our selling efforts—the second invisible barrier—has been the growing resistance of the public to being pressured from above. That is, the public has been asserting its individuality in many ways, the most important of which from the salesman's point of view has been its growing resistance to what might be called the flock-of-sheep reaction of former days.

Now I realize that in saying this I am going against some currently fashionable sociological theories. We have read—in such books as "The Organization Man," and "The Lonely Crowd" and "The Hidden Persuaders"—that the public is a homogenized mass of predictable and controllable reactions. We have read that we who sit in the control towers of industry need only summon up the appropriate genie who will trigger the appropriate mass neurosis and presto, we have a new mass market.

I think that quite the contrary is true. It seems to me that this picture—if we allow for certain artistic license on the part of those who have painted it—was an accurate one of a few years ago. But I think that the development is in the opposite direction today.

Certainly that has been the experience of Detroit this past year. If ever an industry had honed mass-psychology selling techniques to their sharpest edge, it was the automobile manufacturers. And suddenly we find that the mass isn't reacting to the psychology. On the contrary, it is breaking itself up into individual groups and going out and buying all sorts of odd little foreign creations that no self-respecting organization man should be caught dead in.

Public's Sophistication

Added to this is the third barrier in selling today—the truly remarkable degree of technological sophistication that buyers are showing. How has the public become so sophisticated? Just look at your own industry. Look at the so-called "service magazines" at the consumer level that are constantly pouring out objectively written explanations of what the customer should look for in a synthetic fiber, or a washing machine, or a pair of shoes. Look at the rapid growth in recent years of the consumer-research magazines that take no advertising and whose sole purpose is to tell the reader which brand is best, and why. Or look at what industry itself has done through its trade associations to establish standards of safety and efficiency by which customers can judge the relative merits of competing products.

And at the level of industrial sales we should not forget what has been done to keep the buyer superbly informed by organizations such as The Conference Board, or by such factors as the rapid expansion of trade magazines in virtually every facet of every industry.

Now this growing insistence by the consumer that he is an individual, plus his increasing sales sophistication, are both most encouraging factors in a social sense. But let's face it. They make the salesman's job a good deal tougher. The old-fashioned salesman defined the ideal customer as a blind man who felt diffident about asking questions. But now he goes out in front of the public only to find a thousand curious eyes peering at his product from every angle and a thousand voices asking probing questions.

The way many of our salesmen have reacted to these new conditions has been simply to retreat to his office and write out a report to the effect that the customer wanted something else and couldn't be talked out of it.

This tendency is aided and abetted by our preoccupation with the powers of the hidden persuaders. Many of our salesmen have lost confidence in the persuasive powers of their own voices and personalities. They have come to see selling as the working out of a mathematical formula in which the human element plays no part. They are told of the supermarket that outsells the old-fashioned grocery store three-to-one per square foot of floor space, without a human voice being raised. They regard themselves as relatively ineffectual pawns in a power game in which the really determining factors are million-dollar advertising budgets and technological superiority.

To me the real salesman is the man to whom it is a challenge, not a defeat, when the customer starts out wanting something else. This kind of challenge can still be met. **And it seems to me that the only way to be sure it is met is for management to be less understanding of the salesman's problems.** If he cannot meet this challenge, he must be in the wrong line of work.

Emphasis on Security

But this brings us to the fourth barrier to selling in today's economy—the emphasis on social and economic security. This involves the problem of what to do with the people in your organization who are obviously in the wrong line of work.

I don't think I have to describe in detail, for an audience such as this, what "the new security" that the American people today enjoy has meant in the realm of professional performance.

We all have heard the phrase, "loyalty down as well as loyalty up." We all know what seniority and tenure mean in terms of holding onto a job these days even at the executive levels. We all know of cases within our own organizations where such factors as these are keeping men at their jobs that other men could do better.

All of this comes under the heading of security. We are a security-conscious civilization. And I do not say that that is bad. 30 years ago there were, to oversimplify it a bit, two classes of people. There were those who had to work in order to eat, and there were those who had to work in order to get very rich. The burden of performance was on the former as a matter of necessity, and on the latter as a matter of personal satisfaction. It was not an even balance.

In those days the boss could tell an employee, you must perform at such-and-such a level or I cannot afford to keep you. And the employee would do his best to perform at that level.

But today our society has developed many methods of mitigating both the extremes in this picture. The executive has fewer of the incentives to earn more money, because a relatively large proportion will disappear in taxes. And the worker has fewer of the compulsions to give his top performance, because he is to a large degree insulated from his former insecurity both by professional custom and by government guarantee.

Again I want to emphasize that I am not against social security and all it has meant to this country. But in terms of getting performance out of employees—and specifically salesmen—I think we must realize what it has done. It has brought a stickiness, a performance lag, into the corporate controls.

I think what I mean by this is best illustrated by the familiar magazine-cartoon scene of the employee who has just been chewed out by his boss. His reaction is not to buckle down and do a better job the next day. Instead, it is to go home and berate his wife, or his dog, or his children, or whoever happens to get in his way, about the misery of his professional lot. He is secure enough in his job to know he won't be fired, because his boss subscribes to the "new enlightenment" in personnel policies. But still he is unhappy because he knows his work load thereafter will be more difficult, or his chances for promotion slimmer. His boss, after all, has not yet got to the point where he is running a nonprofit organization.

I think that if we are to get the increased sales that we all agree are needed we must make a serious reappraisal of "the security problem" in our own companies. Granted that we must give more job security today than heretofore. Granted that employee morale is more important than ever before. I am not talking about retreating into the dark past of industrial despotism. New social concepts—concepts that we all welcome as beneficial—render such a retreat unthinkable.

But shouldn't we step back and see whether we haven't gone a bit too far in the other direction? In the army, isn't it the tightly run, well disciplined company that not only has the highest morale, **but also gives the best performance?**

This goes back to two points I have mentioned perviously. I said we should do our best to particularize to each of our employees where he stands in the profit picture. And I said that we should recognize that the salesman who can't sell is simply in the wrong kind of work. A realistic extension of these ideas to the operating level may mean some pretty hard-headed and unsentimental remaking of certain personnel practices.

But there is, after all, such a thing as too much security.

Diffusion of Salesmen's Responsibilities

Now, keeping these points in mind, let us consider the fifth barrier in modern selling—the diffusion of the salesman's responsibility.

Today when something goes wrong on the sales graph and we want to call a meeting of all the experts who might advise us on a cure, we have to hire the Madison Square Garden to get them all under one roof. First comes a platoon of market analysts, followed by the sales training staff, followed by the industrial designers, the customer-service men, the point-of-sale promotion people, the advertising copywriters, the research and development people—and at the end of the parade, the salesmen.

Now, I am not questioning the value of the experts. Selling is certainly more complicated today than it ever was before because both the product and the selling techniques are more highly refined.

What I do find wrong with the picture is the diffusion of responsibility. When the whole crew votes on which way to steer the ship, nobody can say who ran it up on the rock. And conversely, nobody gets credit for bringing it safely to port.

We can add layer on layer of specialized organization to our companies, but let us keep our lines of responsibility straight. It is management's responsibility to design the product, to price it right, to decide when and in what quantity to put it on the market, to determine the advertising themes, to solve the shipping, the warehousing and the merchandising problems.

To be sure, in making all these decisions the advice and counsel of the salesman can be one of the most valuable contributions. But the decisions themselves are management's responsibility alone.

When all these decisions have been made there is only one additional responsibility, and it rests solely on the shoulders of one man. It is to sell the product. And therein lies both the salesman's challenge and his opportunity—and the sole criterion by which he should be judged.

So that, gentlemen—in a good many words—is my solution to the mystery of what has happened to profits and selling in America in recent years. On one level there have been certain basic social attitudes that have affected all of us so gradually as to have been almost imperceptible. On another level the reaction of our corporations to these attitudes—and to the growing complexity of our products and selling techniques—has created confusion within our ranks.

I think that at both levels the solution lies first in a realistic appraisal of the forces that have brought about the changes; and second, in a determined and unsentimental program to adapt to them or to root out their ill effects.

I am convinced that in this approach we will find the key to the fundamental need in selling today—the need to establish a new level of sales performance in keeping with our new level of requirement.

The founder of our company, years ago, phrased a question that I believe is painfully appropriate here. He asked:

"Shall we do this definitely, clearly, sincerely and above all immediately, or shall we continue to drift and talk?"

David A. Noyes & Co. Celebrates 50 Years

CHICAGO—David A. Noyes & Company, one of Chicago's pioneer brokerage firms in securities and commodities, celebrated Oct. 1 the 50th anniversary of its founding. The firm was organized in 1908 as Noyes & Jackson and operated under that name until 1926 when, following the retirement of William C. Jackson, the firm was renamed David A. Noyes & Company. The late David A. Noyes, who passed away in 1946, was one of the financial leaders of Chicago during most of the first half of the Twentieth Century. David A. Noyes & Company is one of eight remaining of about 100 security dealers which were in business in 1908.

Present partners include Paul E. Murin, senior partner, & Philip W. Brockhaus who have been associated with David A. Noyes & Company for over three decades. Other partners are John Murin, Walter C. Alm, John H. Newman, William F. Walthouse and Alec Margolis.

The firm are members of the New York Stock Exchange and other leading exchanges. Its principal office is at 208 South La Salle Street with a branch in the Union Station Building and out-of-town branches at Indianapolis and Elgin.

Elkins, Morris, Stokes Absorbs J. D. Brown

PHILADELPHIA, Pa. — Announcement is made of the consolidation of J. Dorsey Brown & Co. of Baltimore and Elkins, Morris, Stokes & Co., securities firms, effective Oct. 1, 1958.

The consolidated firm will continue to do business under the name Elkins, Morris, Stokes & Co. The latter firm, one of the oldest and largest in the Greater Philadelphia area, was founded in 1905. J. Dorsey Brown & Co. was founded in 1947.

Elkins, Morris, Stokes & Co. are members of the New York and Philadelphia-Baltimore Stock Exchanges and associate members of the American Stock Exchange. In addition to its main office in the Land Title Building, Philadelphia, the firm has offices in Bethlehem and Huntington, Pa. The consolidation with J. Dorsey Brown & Co. will add an office in the Mercantile Trust Building, Baltimore. Partners in the combined firm will be: Casper Wistar Morris; Charles H. Howell; J. Reece Lewis; Edmund G. S. Flannigan; George W. Elkins, Jr.; Edward B. Stokes; S. Grey Dayton, Jr.; John M. G. Brown; John E. Heppe; William G. Berlinger, Jr. and John Gribbel, II.

Harris, Upham & Co. Improves Wire

Harris, Upham & Co., 120 Broadway, New York, investment brokerage firm with 36 offices coast to coast and members of the New York Stock Exchange, has announced that the Long Lines Department of American Telephone and Telegraph Company has completed the installation of a sequentially coded automatic start communication system, speeding the transmission of customer orders by as much as 40% and simplifying operating procedure between the New York office and Harris, Upham branches in Atlanta, Ga.; Columbia, S. C.; Greenville, S. C.; Spartanburg, S. C.; Charlotte, N. C.; Huntington, W. Va.; Charleston, W. Va.; Winston-Salem, N. C., and Durham, N. C.

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Financing Federal Government Presents Staggering Problems

characteristics of the Treasury's financial situation, including the magnitude of the Federal debt and its ownership, budget receipts and expenditures, debt maturities, and related Treasury matters.

(2) Following the economic presentation, the committee meets with the Secretary, Under-Secretary and other senior officials for a briefing on immediate and longer term problems faced by the Treasury. At the briefing session, the Under-Secretary is usually quite candid about these problems and earnestly requests an expression of our committee's views. The Treasury is interested not only in our opinion of what kind of security issues the savings banks are likely to support, but also, in what we judge to be the most feasible type of financing, considering the overall market and economic situation.

(3) The committee then goes into executive session to consider the Treasury and related problems and to draft a report to the Secretary. At this session, committee members discuss in detail the various financing possibilities open to the Treasury, including the merits of short vs. long issues, yields and maturities, and outstanding issues to be refunded (if a refunding is involved). If possible, a report representing the unanimous view of the committee is drafted (and redrafted several times). Otherwise the majority-opinion prevails. The sessions may require anywhere from one to four hours depending on the complexities and controversial aspects of the problems.

(4) The final step in the procedure is the presentation of the committee report to the Secretary of the Treasury and his senior debt management team. This written report is usually accompanied by explanatory discussion and elaboration of points summarized in the report. The Secretary often asks specific questions at this final session relating both to our report and to general financing problems. These questions are usually answered by the Chairman, other members of the committee participating upon request.

The Treasury continues to face staggering financing problems in the current fiscal year. Some $30 billion of securities need to be refinanced before June 30, 1959. In addition perhaps $12 billion of new money needs to be raised to meet the expected deficit. The ingenuity of the Treasury's debt management team will be sorely taxed in establishing terms for refunding and new money operations that will contribute neither to inflationary or deflationary excesses, nor will unduly upset the general capital market.

Along with committees representing other types of financial institutions, our committee on government securities and the public debt will probably be called upon to offer suggestions on terms of financing and to make whatever other observations may be pertinent on fiscal and monetary policy. In discharging this responsibility we would welcome the views of savings bankers everywhere. Please feel free to get in touch with me or with Saul Klaman, our staff economist, and be assured that all views will be given serious consideration. In this business, there is always room for one more opinion.

A. Webster Dougherty

A. Webster Dougherty, founder and proprietor of A. Webster Dougherty & Co., Philadelphia, passed away on Sept. 26.

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The State of Trade and Industry

from the 95,075 of 1957, but was 4.0% below the 1956 record for the period of 99,109.

In the automotive industry last week, notwithstanding labor flareups and parts shortages, United States car makers were expected to accelerate the tempo of 1959 model automobile production, "Ward's Automotive Reports," declared on Friday last.

"Ward's" calculated the week's car total at 47,718 units contrasted to 37,150 units the week before and a count of 51,552 in the corresponding week last year.

The statistical publication said, however, that walkouts at various plants of General Motors, Chrysler Corp. and Ford Motor Co. restricted production to about 80% of the pace originally expected to be reached the past week. Troublesome also were parts shortages at assembly plants of Ford Motor Co., whose Mercury and Lincoln divisions have yet to build a 1959 model car.

Studebaker, the only other firm which has not gotten new model operations underway, set its South Bend, Ind., assembly line in motion on Tuesday of this week. Mercury and Lincoln resumption is dated for October.

"Ward's" predicted the industry will fall nearly 30% short of its September schedule of 195,500 cars. A figure closer to 140,000 units is now anticipated. All companies except American Motors will fail to fulfill this month's programs.

It added that failure to meet September goals seem to make it urgent that October programs be met, since the majority of new model introductions are set for the next four weeks.

Industry hopes for October are to more than triple September output, edging near the 490,000-unit mark if ideal conditions prevail.

For the eighth consecutive month building permit values in August exceeded those of the similar year ago period, Dun & Bradstreet, Inc. reports. The total for 217 cities, including New York, amounted to $651,592,289, the highest level for any August on record. This was 15.6% above the $563,592,289 of the comparable month last year, but was 10.0% less than the all-time high of $724,235,669 of the preceding month.

Plans filed in New York in August totaled $103,987,432, up 43.8% from the $72,289,031 of August 1957, but down 0.8% from the $104,770,856 of a month earlier.

Steel Production This Week Expected to Rise to 68.5% Of Ingot Capacity

Steel prices may go up early next year, "Steel" magazine reported on Monday last.

It stated that some structural steel fabricators are protecting themselves against the possible increase by adding $4.50 to $5 a ton on quotations for work to be delivered after Jan. 1. The increase, if it comes, will not affect base prices but would be made in charges for extras, the structural fabricators believe.

Steel companies raised extras during January in 1956 and 1957. They have already declared that this year's base price increases in August are not enough to offset higher costs.

Base prices on tin plate are going up on Nov. 1. U. S. Steel Corp. and its Tennessee Coal & Iron Div. will boost prices 35 cents per base box on electrolytic and hot dipped tin plate, black plate and terne plate at Irvin and Fairless, Pa., Gary, Ind. and Fairfield, Ala. Columbia-Geneva Steel Div. will raise its prices 25 cents a box at Pittsburg, Calif.

Other producers are expected to follow suit. Orders will probably soar next month as canmakers try to beat the deadline.

"Steel's" composite on base prices of finished steel has remained at $149.28 a net ton since the middle of August.

New orders are running 10 to 15% ahead of those booked during August, steelmakers report. Sheets are leading the field, thanks to increased activity in the automotive and appliance industries. Demand from manufacturers of light tanks and steel drums is also improving.

Many producers are booked through October on cold-rolled sheets. Galvanized products are holding up better than expected because of continued strong demand from the construction industry, farmers and furnace manufacturers.

At Buffalo, Bethlehem Steel Co. reactivated two more furnaces. It is operating 19 of its 35 open hearths, producing more steel than it has at any time since last December. The Buffalo district operated last week at 58.5% of capacity, up 5 points. Other districts were as follows: St. Louis at 78.5, up 0.5 point; Chicago at 76.5, no change; Western district at 75, up 1 point; Cincinnati at 73.5, no change; Wheeling at 73.5, up 4 points; Cleveland at 68, up 10.5 points; Eastern district at 66, up 2 points; Pittsburgh at 62, up 1 point; Detroit at 56, down 11.5 points; Youngstown at 54, down 5 points and Birmingham at 54, without change.

"Steel's" composite on steelmaking scrap is unchanged at $43 a gross ton.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *115.2% of steel capacity for the week beginning Sept. 29, 1958, equivalent to 1,850,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *113.0% of capacity, and 1,816,000 tons a week ago.

Output for the week beginning Sept. 29, 1958 is equal to about 68.5% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 67.3% the week before.

For the like week a month ago the rate was *103.7% and production 1,666,000 tons. A year ago, the actual weekly production was placed at 2,115,000 tons, or 131.7%.

***Index of production is based on average weekly production for 1947-1949.**

Electric Output Registered Good Results in the Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Sept. 27, 1958 was estimated at 12,342,000,000 kwh., according to the Edison Electric Institute. Output recorded gains the past week after trending slightly lower the week before.

For the week ended Sept. 27, 1958 output increased by 102,000,000 kwh. above that of the previous week and 645,000,000 kwh. above that of the comparable 1957 week and 977,000,000 kwh. above that of the week ended Sept. 29, 1956.

Car Loadings Rise Fractionally in Week Ended Sept. 20

Loadings of revenue freight in the week ended Sept. 20, 1958 were 1,278 cars, or 0.2% above the preceding week.

Loadings for the week ended Sept. 20, 1958 totaled 667,277 cars, a decrease of 57,657 cars, or 8% below the corresponding 1957 week, and a decrease of 155,159 cars, or 18.9% below the corresponding week in 1956.

Automotive Output Held to About 80% of Rate Expected Last Week as a Result of Plant Walkouts

Passenger car production for the week ended Sept. 26, 1958, according to "Ward's Automotive Reports," was restricted to about 80% of the pace originally expected to be reached, due to walkouts at various plants of General Motors, Chrysler Corp. and Ford Motor Co.

Last week's car output totaled 47,718 units and compared with 37,150 (revised) in the previous week. The past week's production total of cars and trucks amounted to 62,106 units, or an increase of 10,846 units above that of the previous week's output, states "Ward's."

Last week's car output rose above that of the previous week by 10,568 units, while truck output advanced by 278 vehicles during the week. In the corresponding week last year 51,552 cars and 9,242 trucks were assembled.

Last week the agency reported there were 14,388 trucks made in the United States. This compared with 14,110 in the previous week and 9,242 a year ago.

Lumber Shipments Rose 7.3% Above Output in the Week Ended Sept. 20, 1958

Lumber shipments of 474 reporting mills in the week ended Sept. 20, 1958 were 7.3% above production, according to the "National Lumber Trade Barometer." In the same period new orders were 1.2% below production. Unfilled orders amounted to 42% of stocks. Production was 3.6% above; shipments 8.0% above and new orders were 1.8% above the previous week and 0.9% above the like week in 1957.

Business Failures Continued to Rise Modestly The Past Week

Commercial and industrial failures increased slightly to 268 in the week ended Sept. 25 from 262 in the preceding week, Dun & Bradstreet, Inc. reports. However, casualties dipped below last year's level of 278 for the second week. Failures, however, remained above the 251 in 1956 and the prewar total of 264 in the similar week of 1939.

Casualties involving liabilities of $5,000 or more rose moderately to 234 from 216 in the previous week and edged above the 231 of this size last year. Small failures, under $5,000, declined to 34 from 46 a week ago and 47 in 1957. Liabilities in excess of $100,000 were incurred by 34 of the week's failures as against 28 in the preceding week.

The toll among manufacturers climbed considerably to 59 from 39, while retailing edged to 131 from 129 and commercial service to 23 from 18. Contrasting declines brought construction casualties down to 35 from 50 and wholesaling to 20 from 26. More manufacturing and service concerns succumbed than last year and the wholesaling total held even with 1957. However, failures ran below a year ago for retailers and construction contractors.

Six of the nine major geographic regions reported a week-to-week rise in business mortality. The toll in the West South Central States jumped to 24 from 8, while milder increases lifted the East North Central to 35 from 30 and the Pacific to 66 from 64. In contrast, Middle Atlantic casualties dipped to 84 from 87 and South Atlantic dropped to 19 from 38. Most regions had fewer failures than last year. The only increases from 1957 occurred in the Middle Atlantic, West South Central and Mountain States.

Wholesale Food Price Index Showed Noticeable Rise From Prior Week

There was a noticeable rise in the wholesale food price index last week, Dun & Bradstreet, Inc. reports. It climbed 1.7% to $6.49 on Sept. 23 from the 1958 low of $6.39 a week earlier and exceeded the $6.17 of a year ago by 5.2%.

Higher in wholesale cost last week were wheat, rye, hams, bellies, butter, cheese, milk, cottonseed oil, potatoes, steers and hogs. The list of declines included flour, corn, barley, lard, coffee, cocoa and eggs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Registered Moderate Declines Last Week

The general commodity price level declined the past week, reflecting decreases in grains, flour, cotton and tin. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., stood at 276.99 on Sept. 22, compared with 277.21 a week earlier and 286.96 on the comparable date a year ago.

Most grain prices declined steadily during the week. Corn prices fell moderately as supplies increased with corn buying equalling that of the prior week. Purchases of wheat sagged and prices were down fractionally, except in Minneapolis where flour bookings expanded and prices edged up.

Interest in rye and oats was steady and wholesale costs matched those of a week earlier. The influx of new-crop supplies into commercial channels resulted in an appreciable dip in soybean prices; soybean purchases were sluggish.

Despite scattered orders in some markets, over-all flour trading lagged and prices declined during the week. Purchases of flour for export dipped noticeably. Transactions in sugar fell moderately, but prices were unchanged.

There was a marked decrease in the buying of cocoa and

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The State of Trade and Industry

prices dropped substantially from the preceding week. Although buying picked up noticeably at the end of the week, coffee prices finished moderately below those of a week earlier. Reports of unfavorable weather conditions in growing areas stimulated rice trading and prices were steady.

The call for steers was sustained at the level of the prior week. Prices moved up slightly and cattle receipts in Chicago proved steady. Hog receipts expanded noticeably and prices edged lower. Hog trading was sluggish at the beginning of the week, but picked up at the end of the period. Although the salable supply of lambs rose slightly during the week, stocks were limited. Lamb trading was steady and prices were unchanged last week. Following the dip in hog prices the wholesale cost of lard slipped, but transactions were steady.

While cotton prices were steady at the beginning of the week, they declined later on. Purchases improved following reports of unfavorable weather in certain parts of the cotton belt. United States exports of cotton during the period ended on Tuesday of last week were down somewhat from the prior week and noticeably below those of the similar 1957 period.

Trade Volume in Latest Week Held at Level of a Year Ago

More cool Fall weather stirred consumer buying the past week and over-all retail trade matched that of the similar period a year ago. Shoppers were primarily interested in men's and women's Fall apparel, housewares and some lines of furniture. Scattered reports indicate that sales of new passengers cars were again sluggish and sharp year-to-year declines remained.

The total dollar volume of retail trade in the period ended on Wednesday of the past week was from 2% below to 2% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc. reveal. Regional estimates varied from the comparable 1957 levels by the following percentages: East South Central States +1 to +5%; New England, Middle Atlantic and South Atlantic 0 to +4; Mountain —1 to +3; West South Central —2 to +2; East North Central and West North Central —4 to 0 and Pacific Coast States —5 to —1%.

Increased buying of dresses, sportswear, coats, suits, accessories and millinery boosted over-all volume in women's apparel noticeably over the prior week. Slight year-to-year gains occurred. While purchases of men's topcoats and Fall suits advanced appreciably, interest in shirts, neckwear and hose was sluggish. Total sales of men's apparel fractionally exceeded that of the similar period last year. Retailers reported moderate year-to-year increases in children's merchandise.

There was a substantial rise from a week earlier in the call for bedding and dining room sets which helped total furniture sales equal those of last year. Although shoppers spent more on floor coverings than in the prior week, sales of draperies and linens fell somewhat. Despite a moderate gain in television sets, purchases of major appliances dipped below those of both the previous week and the similar period last year. Volume in housewares, silverware and glassware rose slightly during the week.

Housewives stepped up their buying of fresh produce, some dairy products, canned goods and baked goods last week, while interest in frozen foods, fresh meat and poultry was unchanged from a week earlier.

A moderate rise occurred in over-all textile trading last week, especially in industrial fabrics and cotton gray goods. Boosted by a noticeable increase in new orders from the automotive industry, volume in wide coating fabrics expanded considerably. Bestsellers in cotton gray goods were sheetings and print cloths. Although wholesalers reported a slight gain in the call for carpet wool, transactions in woolens and worsteds were unchanged from a week earlier.

There was an upsurge in re-orders for fall dresses in the week and volume was up noticeably from a year ago. While the call for women's fall coats and suits moved up substantially during the week, purchases were below expectations. A substantial rise occurred in the buying of children's clothing, especially sportswear. Re-orders for men's fall and winter suits and topcoats remained close to those of the prior week. Shoe wholesalers reported marked gains in volume in both men's and women's lines.

Buyers stepped up their orders for bedding, upholstered chairs and juvenile furniture during the week. Volume was close to that of last year. There was some increased interest in linens, draperies and floor coverings as buyers sought to replenish depleted stocks. Except for a slight rise in purchases of television sets, the call for major appliances was unchanged from a week earlier.

Food wholesalers reported another substantial rise in orders for canned goods, particularly vegetables and fish. While the call for rice expanded appreciably, interest in flour and sugar lagged. There was a moderate gain in turnover in dairy products, but volume in fresh meat and poultry slackened. The buying of fresh produce and frozen foods continued to climb.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Sept. 20, 1958 rose 1% above the like period last year. In the preceding week, Sept. 13, 1958 an increase of 4% was reported. For the four weeks ended Sept. 20, 1958 a gain of 2% was registered. For the period Jan. 1, 1958 to Sept. 20, 1958 a decrease of 1% was reported below that of 1957.

Retail trade sales volume in New York City last week was reported to be unchanged to 2% higher than the like period in 1957, according to trade observers.

Budget clothing and houseware and accessories promotions showed good results for the week.

According to the Federal Reserve Board's index, department store sales in New York City for the week ended Sept. 20, 1958 showed an increase of 1% from that of the like period last year. In the preceding week, Sept. 13, 1958 an increase of 9% (revised) was reported. For the four weeks ended Sept. 20, 1958 an increase of 4% was noted. For the period Jan. 1, 1958 to Sept. 20, 1958 an increase of 2% was registered above that of the corresponding period in 1957.

Previews Electric Power Industry's Future

Chase Manhattan's study shows 600 billion kilowatt hours of electricity will be produced in this year and that the industry might triple production by 1980. Bank praises pricing performance and record capital spending for up to date facilities.

The electric power industry, which has doubled its output every 10 years since 1900, this year will produce over 600 billion kilowatt hours of electrical energy and by 1980 might treble even this production, according to the current issue of "Business in Brief," the Chase Manhattan Bank's bi-monthly business report.

Increasing Output

"America's has been called a push-button economy — and the phenomenal growth of the electric power industry clearly bears this out," the bank's publication says. "In the past eight years alone, production of electric power has more than doubled. What's more, the industry has proven to be much less vulnerable to recession than business in general: power output has increased in every year during the postwar era in spite of three moderate adjustments in over-all activity."

Industrial manufacturers and processors are prime users of electric power, consuming about 45% of total output. The average working man now has the equivalent of 290 fellow-workers in the form of electrical machinery and equipment. Thirty years ago, with power less plentiful, his electrical helpers numbered about 70.

Other major consumers of electric power are the households of America, the Chase Manhattan study reports, with average home consumption today amounting to more than 3,000 kilowatt hours yearly—a rate that has doubled in the last 10 years.

Pricing Record

"The pricing record of the electric utilities is also an impressive one," "Business in Brief" says. "As the use of electricity has soared, the average rates paid per kwh have steadily fallen: 30 years ago a residential consumer paid almost three times as much per kwh as he now pays. Electricity is more than ever a bargain."

"To maintain and extend its record of furnishing power at minimum rates," the Chase Manhattan publication adds, "the electric utilities have consistently sought to utilize the most modern facilities. Year after year their expenditures on new equipment play an important role in the over-all construction outlook; it takes $4 of investment to produce $1 of revenue from electric power. In 1958 the electric utilities are expected to account for almost one-seventh of total outlays for new plant and equipment."

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Confidence—A Vaccine Against Recession Fever

what guide each of us in our outlook and in our buying habits.

As personal incomes go up, so does the urge to "trade up"—in automobiles, in home furnishings, in all consumer goods we purchase. And personal income, the Government reported after the July 1958 figures were in, was at an all-time high — higher by nearly $2½ billion than the pre-recession previous record set in August of 1957. This undoubtedly accounts for the fact that, despite the recession, two top-ranking questions in our country continue to be: "Where can I park?" and "How can I lose some weight?" Incidentally, these questions we all continue to hear also afford a measure of the consumer's mood. For the retention and continuation of that mood, I believe, The Council's Confidence campaign merits considerable credit.

All of The Council's campaigns in the public service highlight a basic tenet of democracy: That there are only two ways—compulsion and persuasion—by which people can be moved; that *our* way is persuasion. At the same time, advertising demonstrates that it is a potent force for making our way work.

Virtues of Advertising

In these public service endeavors, advertising is a dynamic instrument of public information and a champion of national and community interests. It helps marshal the informed and intelligent cooperation of the people, *the* indispensable ingredient in a working democracy.

We need that ingredient today more than ever. For we now face democracy's greatest challenge from the exponents of compulsion, who openly and blatantly invite the peoples of the world to choose sides in the struggle for men's minds.

Results like those afforded by the Confidence campaign serve to demonstrate that when the American public gets the pertinent facts into its consciousness—when it understands a given situation—it can be relied upon to do the right thing. There are many areas in which I feel that this principle might be advantageously proved as time goes on.

The most important, as our recovery continues its upswing, is inflation, which now threatens our economy. I wonder how Americans would react to a full-scale and forthright presentation of the grave consequences — both national and personal—which are inescapable unless we check this menace to really sound growth.

With increasing frequency, these days, we hear that *both* business and labor have an obligation to show responsibility in curbing inflation. This is such an obvious truth that no one challenges it.

But how many can translate this truth into terms of themselves as individuals — as consumers as well as producers? How many fully realize the stake of every individual in the mounting battle against inflation?

Just as it was in the campaign against recession, public understanding is the only remedy. Can we find the simple, proper words and ways to make all Americans understand that not only our abundance and individual well-being, but our very freedom, depend upon a continued sound economy? Can we recognize, as a people, that something must be done about inflation, just as something was done about recession, that like recession, inflation does *not* have to run the full course to disaster, that we do *not* have to undergo the hardships which in our own time befell Germany, for example, because she did not stop inflation in time?

Our times and the world challenge we face dictate that such understanding must be achieved soon. The record to date is clear that, given the information — without bias, in the forms in which they are accustomed to receiving information, and with the appeal to national unity and strength appropriately underscored—the American people will understand, and can be counted on to respond.

I am confident that advertising will continue, in the future as it has in the past, to perform faithfully and dependably; that in the public service arena it will be of more and more importance in our efforts to prove that free men not only can do what Russia's driven men are doing, but do it better.

Winners in ASE Annual Golf Tournam't

Harold J. Brown, Brown, Kiernan & Co. and Joseph F. Reilly, tied for the low gross Chairman of the Board Trophy in the annual golf tournament of the American Stock Exchange, held at the Winged Foot Golf Club, Sept. 30.

George D. Martini won the president's trophy for low net class A with a score of 72. Runner-up was Thomas J. Hickey, Jr., Vilas & Hickey, with a score of 73.

About 300 members and guests attended the tournament and dinner.

Watling, Lerchen Branch In Birmingham, Mich.

BIRMINGHAM, Mich. — Watling, Lerchen & Co. announces the opening of a new Birmingham-Bloomfield Branch Office, located in the Creson Building, West Maple and Cranbrook Road, Birmingham, Mich. This is the first brokerage office in this area and is evidence of the substantial growth of the community.

Victor W. Hughes will be manager and Paul J. Pickner his associate. Both men have been members of the Watling, Lerchen & Co. organization for many years.

Watling, Lerchen & Co. will offer complete brokerage and investment services at the new office.

Form Ross Mtg. & Inv.

WASHINGTON, D. C. — Ross Mortgage & Investment Co., Inc. has been formed with offices at 1511 K Street, N. W. to engage in a securities business. Officers are Stanley Ross Stein, President and Treasurer; and Saul M. Schwartzbach, Secretary.

Smallman & Co. Opens

BIRMINGHAM, Ala. — Smallman & Company, Inc. has been formed with offices in the First National Bank Building to engage in a securities business. Officers are Ralph A. Smallman, Jr., President, J. T. Smallman, Vice-President and Secretary; and Charles C. Seagle, Assistant Secretary. Mr. Smallman was formerly with Odess, Martin & Herzberg and Courts & Co.

Roger Evans Opens Own Investment Office

DALLAS, Tex.—Roger Evans is engaging in a securities business from offices at 1509 Main Street. Mr. Evans was formerly Resident Manager for Blair & Co., Inc. Prior thereto he was with Ames, Emerich & Co. and Dempsey & Co.

With Columbine Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — John Hey is now connected with Columbine Securities Corp., 621 17th Street.

With Liberty Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — John Wodack is now connected with Liberty Investment Company, 511 16th St.

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The Security I Like Best

canes experienced in those years, the increase in the severity and frequency of automobile accidents, the too liberal court awards, etc. These factors caused the combined loss and expense ratio for the industry to rise from an average of 94.6% (1951-5) to 100.5% in 1956 and 103% in 1957. During these past two years, underwriting losses were experienced in practically all lines of business.

State statutes have been changed to provide for rate increases which would assure reasonable underwriting profits. Automobile Bodily Injury Liability rates were increased about 20% in 47 states in 1957, while Automobile Physical Damage rates were raised 10% in 42 states. Casualty rates have been increased, discounts have been lowered and agent's commissions have been reduced. Evidence increases that industry passed the nadir of its cycle in the third quarter of 1957.

Additional encouraging steps by the industry are the homeowners' acceptance of package policies which reduce overhead, installment selling and the use of standardized casualty claim forms plus the introduction of mechanized and electronic equipment to reduce clerical costs. The most significant factor of all, however, is the recognition by some of the regulatory authorities of a trend in the revision upward of insurance rates. A subsidence of inflationary pressures will also be of help in reducing claim costs. Comparative reports from many companies for the second quarter as against the first quarter of this year, appear to show a definite improvement in underwriting results.

AETNA'S total net premium volume of over $150 million last year was 21.6% greater than in 1952 and 60.4% above the 1947 total. Relatively smaller gains compared with those for the industry reflect greater selectivity and stricter distribution of premium volume by class, as well as by source. Distribution of 1957 net premiums written (1952 data in parentheses): fire and allied lines—46.8% (43.7%), inland and ocean marine—14.9% (11.9%), automobile — 23.3% (26.2%), casualty, including fidelity and surety—14.7% (17.6%), accident and health— 1.1% (0.6%).

1951-1955—Annual net premium writings increased from $105.3 to $139.5 million and underwriting operations yielded average profit margin of 1.4%. Net investment income advanced from $4.17 to $5.77 a share, and net earnings adjusted for equity in change in unearned premium reserve averaged $4.92 a share annually. Capital and surplus funds rose from $53.3 to $73.5 million, reflecting chiefly appreciation of investment portfolio, and unearned premium reserve increased from $90.7 to $117.8 million. Dividends of $2.25 a share in 1951 compared with $2.70 a share in 1955, including $0.25 extra dividend.

1956-1957—Premium volume rose to $149.7 million and $150.2 million, but loss and expense ratio jumped from 1951-1955 average of 98.6% to 103.8% and 105.6%, causing adjusted underwriting losses of $5.93 and $8.54 a share. After net investment income of $6.02 and $6.23 a share, there was a profit after taxes of $2.67 in 1956 but a loss of $1.85 a share in 1957. Estimated Federal Income Tax carry forward credit at the end of last year of over $2.9 million was equal to $2.94 a share.

Better Trend Evident—Aetna's results for the first six months of 1958 confirm the change in trend first apparent in the third quarter of last year. Premium volume dropped 3.5%, but underwriting loss declined from $6.58 in the first half of 1957 to $2.97 a share, and net loss (after investment income) from $1.78 to $0.32 a share.

Investments—Conservative management policies are reflected in composition of the investment portfolio which at 1957 year-end was 76% in bonds and 24% in stocks. Increased holdings of tax-exempt bonds reduced effective tax rate on investment income from 20.83% to 17.82%. $20 million in U. S. Treasury Bills made for flexibility and liquidity.

Prices of fire and casualty insurance stocks, as measured by the Alfred M. Best Co. index covering the stocks of 30 representative companies, reached their "highs" in June 1955. Although the general stock list continued in an upward trend until a little less than a year ago, fire and casualty stocks between the middle of 1955 and October of last year declined close to 30%. Fire and casualty stocks are currently selling at a discount of about 25% from the level of the general stock market in relation to their 1955 "highs."

Indicated Net Worth, at the end of June 1958-Capital funds plus unearned premium reserve equity indicate liquidating value of $124.16 for each 1,000,000 shares of capital stock, $10 par. Invested assets of $227.44 a share and net premiums earned of $148.74 a share mean good leverage for the stock. Total resources exceed $272 million.

Dividends—Current pay-out of only 41.7% of net investment income suggests increase in annual rate to $3.00 is reasonable probability when underwriting is again profitable. $2.60 was paid in 1957.

Summary and Opinion

The capital stock of Aetna (Fire) Insurance Company currently affords interesting yield and capital appreciation potentialities based on the premise that underwriting operations of fire and casualty insurance compa..es should, by 1959, again be profitable. Although recent record detracts from the stock's former investment appeal, I consider it attractive for purchase where limited risks can be assumed. It now sells at a discount of about 43% from its indicated liquidating value and for less than 9.8 times net investment income per share in 1957. Should 1951-1955 average underwriting profit margin be restored, potential net earnings of over $6 a share are indicated on the basis of 1957 volume of business.

I hold to a constructive attitude for the longer-term and believe the industry will return to a fully profitable operating level as a result of capability of management, rate adjustments, changes in competitive practices, and further growth of the economy. Insurance has come to be regarded as an essential. The need for insurance protection increases in direct relation to the accumulation and ownership of private property. The industry's volume of business is little affected by changes in the general level of business activity or the fortunes of any particular industry. It is on this basis that I feel a selective policy towards fire and casualty insurance stocks is today fully warranted by those responsible for investment and institutional accounts. Current price of 65 (Over-the-Counter Market) affords a yield of approximately 4%.

New Zealand Obtains $46 Million in Credit

The Hon. Arnold H. Nordmeyer, Minister of Finance of New Zealand, announced on Oct. 1 that his government has arranged to borrow $46,000,000 from a group of American banks headed by J. P. Morgan & Co. Incorporated, as agent. This financing marks the first borrowing by New Zealand in the New York market.

Mr. Nordmeyer said the funds would be used to help tide New Zealand over the transition period of adjustment to sharply reduced prices for her export produce, particularly dairy produce and wool. He pointed out that, as a corrective measure, restrictions by way of import controls have been placed on all classes of imports.

Two - thirds of the $46,000,000 financing is to be secured by gold and this part is for a three-year term with interest at 3½% per annum. The remainder constitutes a one-year revolving credit with interest at 4½% per annum.

In addition to J. P. Morgan & Co. banks participating in the financing include: The Chase Manhattan Bank, The First National City Bank of New York, Manufacturers Trust Co., Bank of America National Trust and Savings Association, Chemical Corn Exchange Bank, Guaranty Trust Co. of New York, The Bank of New York, Girard Trust Corn Exchange Bank (Philadelphia), The National Shawmut Bank of Boston, The Northern Trust Co. (Chicago), The Philadelphia National Bank and The Riggs National Bank of Washington, D. C.

Earlier this year New Zealand borrowed £20,000,000 ($56,000,000) at long term in the London market. In 1956 that country obtained a $13,000,000 loan from the Export-Import Bank for development of a pulp and paper project.

Connolly With Hornblower

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Walter J. Connolly, Jr. has become associated with Hornblower & Weeks, 75 Pearl Street. Mr. Connolly was formerly with Coburn & Middlebrook Incorporated. In the past he conducted his own investment business in Boston.

Elmer A. Dittmar

Elmer A. Dittmar, President of Dittmar & Company, Inc., San Antonio, Tex., passed away on Sept. 18.

Public Utility Securities

By OWEN ELY

United Utilities Inc.

United Utilities is a holding company owning (with minor exception) all the common stocks of 22 companies supplying various services in some 500 communities in Arkansas, Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, New Jersey, North and South Carolina, Ohio, Oregon, Pennsylvania, Washington, Colorado and Wyoming. In 1957, telephone service provided 88% of revenues, electricity 8%, and gas, propane, etc. 4%. The twelve telephone subsidiaries comprise the second largest group of independents in the United States, the more important states served being Pennsylvania, Indiana, Iowa and Missouri. In addition to the telephone companies there is one electric-gas-water company (Central Kansas Power) and one gas-transport company.

Economic activities in the various service areas include farm products in the west and midwest; coal, oil, dairy, and manufacturing in the midwest and east; and cotton, tobacco, timber and vegetables in the southeast.

In July 1957 an important addition to the telephone system was made, Oregon-Washington Telephone with 29 exchanges and 21,000 telephones, over 90% of which are dial-operated. This company was acquired through exchange of stock. This property, serving prosperous areas in the Columbia River Valley, adds desirable diversification to the United system. The Deans, well-known founder and son, will continue to manage the property. Including the Oregon-Washington Company the United System now serves 464,804 telephones in areas containing about two million people. In 1957, there was a net gain of 36,447 telephones (21,589 by acquisition of Oregon Washington Company) and 2,008 power, gas, water and propane customers.

Demand for new telephone service continued throughout 1957, and at the end of the year there were 2,653 unfilled applications for new service and 2,393 applications for upgrading. United customers now dial 37% of their calls and 27,000 phones (about 6% of the total) were converted to dial systems last year. By the end of 1958, it is expected that 50% of system phones will be dial-operated. Faster service, resulting from dialing outgoing toll calls direct, is spreading among United exchanges. Additions to United's own toll plant are being made as toll volume increases.

The system has enjoyed outstanding growth in the postwar period, revenues increasing about five-fold, due in part to new acquisitions which included Investors Telephone Company in 1953 and Oregon-Washington Telephone in 1957. The construction program last year was about $18 million reflecting a steady annual increase from $7 million in 1952. Construction for 1958, estimated at $22 million, continues this growth.

Financing last year included about $8.5 million common stock (about 320,000 shares were sold and 109,000 issued to acquire properties), together with about $10 million in senior securities of subsidiaries. It seems unlikely that there will be equity financing this year.

The company applied for rate increases of $509,000 last year and obtained 94% of this amount, or $479,000; of this amount $398,000 would apply to 1958 earnings. In the first half of 1958 subsidiaries obtained rate increases aggregating $167,000 and applications have been pending for a total of $709,000 more.

The postwar financial record has been as follows:

Year	Revenues (Millions)	Common Stock Record *Earned	Paid	Approx. Range	% Earned on Invested Capital
1957	$34	*$1.54	‡$1.25	23 - 19	5.5%
1956	31	*1.63	1.20	25 - 20	5.7
1955	27	1.71	1.175	24 - 19	5.7
1954	24	1.45	1.10	20 - 17	5.6
1953	23	1.44	1.00	18 - 15	5.8
1952	15	1.43	1.00	15 - 13	5.3
1951	14	1.30	1.00	14 - 11	5.0
1950	11	1.39	1.00	14 - 11	5.0
1949	10	1.60	1.00	13 - 11	5.2
1948	9	1.67	0.90	13 - 10	5.8
1947	8	1.57	0.80	14 - 11	7.3
1946	7	1.35	0.75	16 - 10	--

*On actual shares outstanding. Based on average shares earnings were $1.76 in 1957 the same as in 1956.
‡Including 5% extra Dec. 31, 1957.

In addition to dividend increases stockholders have received rights to buy new stock as follows:

1951	1-for-3	at $11.75	1956	1-for-6	at $21.00
1953	1-for-2½	at 16.00	1957	1-for-6	at 19.25
1954	1-for-6	at 17.50			

In the six months ended June 30, net income increased 13% but due to an increase of 25% in the number of average shares, share earnings were 80 cents vs. 88 cents in the first half of 1957. Current earnings presumably do not yet reflect full earnings from the heavy expenditures for conversions to dial operations, and the company does not take advantage of an interest credit charged to construction. Accelerated depreciation on the declining balance method has been used in 1956-7, but this has been normalized.

The stock is currently quoted over-counter around 27 and based on the current dividend rate of $1.25 (which included a five cent extra in 1957) yields about 4.6%.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert Jesberg has become connected with Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was formerly with J. Barth & Co. and E. F. Hutton & Company.

With Cruttenden, Podesta

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Helen R. Gitlitz is now with Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Addressograph-Multigraph Corp. (10/8)
Sept. 17 filed 141,113 shares of common stock (par $5) to be offered for subscription by common stockholders of record Oct. 7, 1958 at rate of one new share for each 20 shares held; rights to expire on Oct. 22, 1958. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Smith, Barney & Co., New York.

Amber Oil Co., Inc.
Sept. 5 (letter of notification) 125,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For development of an oil and gas property. **Office**—1305 Continental Life Bldg., Fort Worth, Texas. **Underwriter**—Leeford Co., Inc., Fort Worth, Texas.

American Box Board Co.
Sept. 11 filed 49,732 shares of common stock (par $1) to be offered in exchange for Wolverine Carton Co. common stock at the rate of two shares of American for each share of Wolverine. The offer is subject to acceptance by at least 95% (23,623 shares) of Wolverine common stock; however, American may declare offer effective whenever it has been accepted by not less than 80% (19,983 shares) of the outstanding Wolverine common stock.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American Cement Corp. (10/8)
Sept. 17 filed $20,000,000 of sinking fund debentures due 1978. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for expansion program. **Underwriter**—Blyth & Co., Inc., New York.

★ American Diversified Mutual Securities Co., Inc.
Sept. 22 (letter of notification) 21,000 shares of preferred stock (par $7.50) and 52,500 shares of common stock (par $1) to be offered in units of two shares of preferred stock and five shares of common stock. **Price**—$20 per unit. **Proceeds**—To promote a program of a new application of the open end investment trust. **Office** — 1426 G St., N. W., Washington 5, D. C. **Underwriter**—None.

★ American & Foreign Power Co., Inc. (10/22)
Oct. 1 filed a maximum of 135,000 shares of no par common stock (public offering of a minimum of 180,000 shares of stock). **Price**—To be supplied by amendment. **Proceeds**—To Electric Bond & Share Co. **Underwriters**—Lazard Freres & Co. and The First Boston Corp., both of New York.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

★ American Petrofina, Inc., New York
Sept. 29 filed 12,000 shares of class A common stock to be offered pursuant to the Thrift Plan for Employees of company and certain subsidiaries.

American Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York. **Change in Name**—Formerly United States Telemail Service, Inc.

Ampal-American Israel Corp., New York
Aug. 8 filed $3,289,100 of 10-year discount convertible debentures, series E. **Price**—61.027% of principal amount, payable in cash or in State of Israel Independence Issue or Development Issue bonds. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

Anderson Electric Corp.
Dec. 23, 1957 (letter of notification) 14,700 shares of class B common stock (par $1). **Price** — $12 per share. **Proceeds** — To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30, 1957, filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Arizona Public Finance Co., Phoenix, Ariz.
Sept. 2 filed 902,808 shares of common stock, which are issuable as underwriting commissions on the sale of an issue of $981,700 5% debentures and 9,805,603 shares of common stock now being offered publicly under an earlier registration statement. Under an underwriting agreement between the company and Public Development Corp., the underwriter, the latter will be entitled to receive common stock equal in par value to 10% of the par value of all stock sold pursuant to this offering and subsequent to June 30, 1958. Common shares will also be issued in an amount equal to 5% of the debentures sold subsequent to that date.

Associated Grocers, Inc., Seattle, Wash.
June 30 filed 4,788 shares of common capital stock (par $50) and $1,500,000 of 5% subordinated registered debenture notes, second series, and $606,000 of 5% coupon bearer debentures. To be offered to members of the association. **Proceeds** — For working capital. **Underwriter**—None.

• Baltimore Paint & Chemical Corp. (10/15)
Sept. 17 filed $2,000,000 of 6½% sinking fund debentures due 1973, and 140,000 shares of common stock (par 50 cents) to be offered in units of $500 principal amount of debentures and 35 shares of stock. **Price**—$605 per unit. **Proceeds**—For reduction of outstanding loan and for working capital. **Office** — Baltimore, Md. **Underwriter**—P. W. Brooks & Co. Inc., New York.

★ Baltimore Paint & Chemical Corp. (10/15)
Sept. 17 filed 25,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—To selling stockholders. **Underwriter**—P. W. Brooks & Co., Inc., New York.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga. **Underwriter**—None.

Bankers Management Corp. (10/15)
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Bankers Southern, Inc.
April 14 filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

• Boothe Leasing Corp., San Francisco, Calif.
Sept. 17 (letter of notification) 25,000 shares of common stock (no par). **Price**—$12 per share. **Proceeds**—For working capital. **Office**—465 California St., San Francisco, Calif. **Underwriters**—J. Barth & Co.; Brush, Slocumb & Co., Inc.; Elworthy & Co.; Hooker & Fay; Irving, Lundborg & Co.; and Shuman-Agnew & Co., all of San Francisco, Calif. **Offering**—Expected today (Oct. 2).

Bowling Corp. of America (10/10-15)
Sept. 11 filed 450,000 units, each consisting of one share of common stock (par 10 cents) and two common stock purchase warrants, one warrant to expire 18 months from the date thereof, exercisable at $3.25 per share, and one warrant to expire 30 months from the date thereof, exercisable at $3.50 per share. **Price**—$3 per unit. **Proceeds**—For working capital. **Underwriter**—Charles Plohn & Co., New York.

Calidyne Co., Inc., Winchester, Mass.
June 4 filed 230,875 shares of common stock (par $1). These shares are issuable upon conversion of an aggregate principal amount of $923,500 of 10-year 3% convertible subordinated income notes of the Calidyne Co., a limited partnership, which notes were assumed by the company Dec. 31, 1957. The notes are convertible at any time after July 1, 1958, until the maturity or prior redemption of the notes at a conversion price of $4 per share. **Underwriter**—None.

• Canal-Randolph Corp., Chicago, Ill. (10/14)
Sept. 22 filed 91,662 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held on or about Oct. 14, 1958. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Ladenburg, Thalmann & Co., New York.

Carrtone Laboratories, Inc., Metairie (New Orleans), La.
July 2 filed 600,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion, working capital and other corporate purposes. **Underwriter**—None.

★ Case (J. I.) Co. (10/16)
Sept. 26 filed a maximum of $23,000,000 of debentures due 1983 (convertible into common stock until Oct. 15, 1968), to be offered for subscription by common stockholders of record on Oct. 14, 1958, on the basis of $100 of debentures for each 13 or 14 common shares held; rights to expire on Oct. 30, 1958. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term indebtedness to banks. **Business**—Farm machinery, etc. **Underwriters**—Morgan Stanley & Co. and Clark, Dodge & Co., both of New York.

Central Oils Inc., Seattle, Wash.
July 30 filed 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds** — For drilling costs. **Underwriter**—None. Offering to be made through A. R. Morris and H. C. Evans, President and Vice-President, respectively, on a best-efforts basis. **Office**—4112 Arcade Building, Seattle, Wash.

Charles Town Racing Association, Inc.
Sept. 9 filed 4,000,000 shares of common stock (par 10 cents), represented by voting trust certificates, of which 3,530,000 shares are to be offered to the public and the remaining 470,000 shares have been issued to nine persons, who may sell such shares at the market. **Price**—60 cents per share. **Proceeds** — For construction of racing plant and acquisition of equipment. **Office**—Charlestown, W. Va. **Underwriter**—None.

★ Chemirad Corp., East Brunswick, N. J. (10/15)
Sept. 25 filed 165,830 shares of common stock (par 10 cents) to be offered for subscription about Oct. 15 by holders of common stock of Cary Chemicals Inc. at the rate of one share for every four shares of Cary Chemicals common stock held. **Price**—$2 per share. **Proceeds**—For expansion program. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York.

★ Cincinnati & Suburban Bell Telephone Co. (10/21)
Sept. 26 filed $25,000,000 of 35-year debentures due Oct. 1, 1993. **Proceeds** — For construction program and to repay advances from American Telephone & Telegraph Co. which owns 29% of the outstanding common stock of the company. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (EDT) on Oct. 21 at Room 2315, 195 Broadway, New York, N. Y.

Cinemark II Productions, Inc.
June 30 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office** — 937 Acequia Madre Rd., Santa Fe, N. M. **Underwriter**—Watson & Co., Santa Fe, N. M.

Clary Corp.
Aug. 27 (letter of notification) an undetermined number of shares of common stock (par $1) to be offered to stockholders on a pro rata basis (with an oversubscription privilege). **Price**—At the market (estimated at about $3.87½ per share). **Proceeds**—For working capital. **Office** 408 Junipero St., San Gabriel, Calif. **Underwriter**—None.

Clute Corp.
Aug. 21 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To pay additional costs of construction; and for retirement of obligations and working capital. **Office** — c/o John Harlan Lowell, 2200 Kenton, Aurora, Colo. **Underwriter**—Lowell, Murphy & Co., Inc., Denver, Colo.

Columbia & Rensselaer Telephone Corp.
Aug. 4 (letter of notification) 2,800 shares of common stock (no par) to be offered for subscription by stockholders at the rate of one new share for each 2.572 shares held. **Price**—$60 per share. **Proceeds**—For construction of new telephone plant. **Office**—19 Railroad Avenue, Chatham, N. Y. **Underwriter**—None.

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Consolidated Cuban Petroleum Corp.
July 1 filed 419,000 outstanding shares of common stock (par 20 cents). **Price**—Related to the current market price on the American Stock Exchange. **Proceeds**—To selling stockholders. **Underwriter**—None.

Consumers Power Co.
Aug. 29 filed 150,000 shares of preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans and for expansion and improvement of service facilities. **Underwriter** — Morgan Stanley & Co., New York. **Offering**—Postponed indefinitely.

★ Continental Connector Corp., Woodside, L. I., N. Y.
Sept. 25 filed 125,000 shares of class A stock (par $1). **Price**—$8 per share. **Proceeds**—To selling stockholders. **Underwriter**—H. M. Byllesby & Co., Inc., New York.

Counselors Research Fund, Inc., St. Louis, Mo.
Feb. 5 filed 100,000 shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St. Louis. Robert H. Green is President.

★ Cryogenic Engineering Co.
Sept. 22 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds** — For repayment of loan; purchase of plant and office equipment; raw materials and supplies; and for working capital, etc. **Office**—U. W. National Bank Bldg., 1740 Broadway, Denver, Colo. **Underwriter**—L. A. Huey, Denver, Colo.

Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba
March 31 filed 767,838 units of voting trust certificates, each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures, exploration costs and other corporate purposes. **Underwriter**—None.

• Daybreak Uranium, Inc., Opportunity, Wash.
Jan. 29 filed 1,156,774 shares of common stock (par 10 cents), of which 630,000 shares are to be offered for account of company and 526,774 shares for selling stockholders. **Price**—At market. **Proceeds**—For exploration and drilling costs and other corporate purposes. **Underwriter** — Herrin Co., Seattle, Wash. Statement withdrawn.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

● **Dow Chemical Co., Midland, Mich. 10/13)**
Sept. 11 filed 175,000 shares of common stock (par $5) to be offered to employees of the company, its subsidiaries, and certain associated companies; subscriptions will be accepted from Oct. 13 through Oct. 31. By a separate registration statement the company plans to offer 12,500 additional shares of the said stock to employees of Dow Corning Corp., a 50% owned subsidiary of the corporation.

Electronic Specialty Co., Los Angeles, Calif.
Aug. 8 (letter of notification) not in excess of $50,000 aggregate value of common stock (par 50 cents) to be sold in State of California only. **Price**—At market (estimated at about $12.25 per share). **Proceeds**—To selling stockholders. **Underwriter**—Bateman, Eichler & Co., Los Angeles, Calif.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

Exploration Service Co., Ltd., Far Hills, N. J.
Aug. 11 this company and Amkirk Petroleum Corp. (latter of Fort Worth, Texas) filed $400,000 of working interests (non-producing in Sinu Valley Project), to be offered for sale in $12,500 units (of which $8,000 is payable in cash and $4,500 is to be represented by promissory notes). **Proceeds**—Exploration Service Co. to acquire 80% interest in a certain concession from Amkirk and for exploration program. **Underwriter**—Cador, Inc., Far Hills, N. J.

Federal Commercial Corp.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To make loans, etc. **Office** — 80 Wall St., New York, N. Y. **Underwriter**—Dumont Securities Corp., New York, N. Y.

● **Fields' Louisiana Corp., Baton Rouge, La.**
July 31 filed 400 shares of common stock (no par) $500,000 of 6% debenture bonds and $50,000 of promissory notes to be offered in units of four shares of stock, $5,000 of bonds and $500 of notes. **Price**—$7,500 per unit. **Proceeds**—To take over a contract to purchase the Bellemont Motor Hotel in Baton Rouge; for equipment; and working capital. **Underwriter**—None. Statement effective Sept. 23.

★ **First Mississippi Corp.**
Sept. 24 filed 200,000 additional shares of common capital stock. These shares, together with 100,297 shares previously registered but unsold will be offered for public sale. [The purchaser of each new share will be granted an option to purchase an additional share at $5 per share at any time on or before Jan. 31, 1960.] **Price**—$5 per share. **Proceeds**—To be used for general corporate purposes and working capital. **Underwriter**—None.

Florida Water & Utilities Co., Miami, Fla.
Sept. 4 filed 55,000 shares of common stock (par $1). **Price** — $7 per share. **Proceeds** — Together with other funds, to be used to reduce the company's indebtedness, for working capital, and for property additions and improvements. **Underwriter** — Beil & Hough, Inc., St. Petersburg, Fla.

Forest Laboratories, Inc.
March 26 filed 150,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—Statement to be amended.

Fremont Valley Inn
Aug. 6 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To erect and operate an activities building, comprising a restaurant, cocktail lounge and coffee shop. **Office**—3938 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—Oscar G. Werner & Co., Pasadena, Calif.

● **Frontier Refining Co.**
Aug. 29 filed $2,000,000 of 5½%, 5¾%, 6% and 6½% serial debentures, series of 1958. **Price**—$1,000 per unit. **Proceeds**—For working capital. **Underwriters**—Peters, Writer & Chirstensen, Inc., and Garrett - Bromfield & Co., both of Denver, Colo. **Offering**—Expected this week.

★ **General Aero & Electronics Corp., New York**
Sept. 29 filed 500,000 shares of common stock (par 10 cents), of which 100,000 shares are to be sold for the account of selling stockholders. **Price**—$2.25 per share. **Proceeds**—For acquisition of stock of National Missile & Electronics Corp., additional working capital and other corporate purposes. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Devices, Inc., Princeton, N. J.
March 31 (letter of notification) 40,000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held about April 15; unsubscribed shares to public. **Price**—$3.50 per share. **Proceeds**—For expansion, equipment and working capital. **Underwriter**—None.

Georgia Casualty & Surety Co., Atlanta, Ga.
May 6 filed 450,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds** — For general corporate purposes. **Underwriter**—Buckley Enterprises, Inc.

Great American Realty Corp., N. Y.
Aug. 18 filed 484,000 shares of class A stock (par 10 cents). Of this stock, the company proposes to offer 400,000 shares and certain selling stockholders 40,000 shares, the remaining 44,000 shares being subject to option to be offered for the account of the underwriters. **Price**—To be supplied by amendment. **Proceeds**—For working capital and other corporate purposes. **Underwriters**—Joseph Mandell Co. and Louis L. Rogers Co., both of New York, on a best efforts basis.

★ **Great Atlantic Life Insurance Co.**
Sept. 24 (letter of notification) 25,000 shares of class A non-voting common stock (par $1.50) to be offered to sales agents of company. Subscribers are limited to insurance policies produced and delivered during each of seven "Qualifying Periods." Rights will expire April 30, 1962. **Price**—$3 per share. **Proceeds** — To increase capital stock account and will be credited to paid-in surplus. **Office**—8270 N. E. Second Ave., Miami 38, Fla. **Underwriter**—None.

Great Northern Life Insurance Co.
Aug. 12 (letter of notification) 31,011 shares of common stock (par $1) to be offered to stockholders on the basis of one new share for each seven shares held; warrants to expire Oct. 20, 1958. Unsubscribed shares to be offered to public. **Price**—$3 per share. **Proceeds**—For general funds to be used for expansion. **Office**—119 W. Rudisill Blvd., Fort Wayne, Ind. **Underwriter**—North-

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NEW ISSUE CALENDAR

October 3 (Friday)

Hawaiian Electric Co., Ltd. — Preferred
(Dillon, Read & Co. Inc. and Dean Witter & Co.) $3,500,000

Israel-Negev Petroleum Corp. — Common
(Alkow & Co., Inc.) $750,000

October 6 (Monday)

Haydu Electronic Products, Inc. — Debentures
(Berry & Co.) $300,000

North Carolina Natural Gas Corp. — Debs. & Com.
(Kidder, Peabody & Co.) $8,580,000

Peoples Gas Light & Coke Co. — Common
(Offering to stockholders—underwritten by Glore, Forgan & Co. and The First Boston Corp.) 447,346 shares

October 7 (Tuesday)

Imperial Packing Corp. — Common
(Simmons & Co.) $290,000

Madison Gas & Electric Co. — Bonds
(Bids 10 a.m. CDT) $11,000,000

Murphy (A. A.) & Co., Inc. — Preferred
(Piper, Jaffray & Hopwood) $300,000

Wellington Equity Fund, Inc. — Common
(Kidder, Peabody & Co.; Bache & Co.; Reynolds & Co. Inc. and Dean Witter & Co.) $36,000,000

October 8 (Wednesday)

Addressograph-Multigraph Corp. — Common
(Offering to stockholders—to be underwritten by Smith, Barney & Co.) 141,113 shares

American Cement Corp. — Debentures
(Blyth & Co., Inc.) $20,000,000

Grace Line, Inc. — Bonds
(Merrill Lynch, Pierce, Fenner & Smith; Paine, Webber, Jackson & Curtis; Smith, Barney & Co., and F. Eberstadt & Co.) $9,000,000

Northwestern Steel & Wire Co. — Common
(Blyth & Co. Inc.) 125,000 shares

Precise Development Corp. — Preferred & Com.
(R. A. Holman & Co., Inc.) $300,000

October 9 (Thursday)

Arabol Manufacturing Co. — Preferred & Common
(Bids 11 a.m. EDT) 210 shares of preferred and 515.6 shares of common

Norfolk & Western Ry. — Equip. Trust Ctfs.
(Bids to be received) $7,440,000

October 10 (Friday)

Bowling Corp. of America — Common
(Charles, Plohn & Co.) $1,350,000

October 13 (Monday)

Dow Chemical Co. — Common
(Offering to employees—no underwriting) 175,000 shares

Weingarten Markets Realty Co. — Debentures & Common
(Moroney, Beissner & Co.) $1,600,000 of debentures and 50,000 common shares

October 14 (Tuesday)

Canal-Randolph Corp. — Common
(Offering to stockholders—underwritten by Ladenburg, Thalmann & Co.) 91, 662 shares

Horne (Joseph) Co. — Debentures
(Offering to stockholders—underwritten by The First Boston Corp.) $2,538,900

Idaho Power Co. — Bonds
(Bids to be received) $15,000,000

R T & E Corp. — Common
(Loewi & Co.) $611,100

October 15 (Wednesday)

Baltimore Paint & Chemical Corp. — Debentures & Common
(P. W. Brooks & Co. Inc.) $2,420,000

Baltimore Paint & Chemical Corp. — Common
(P. W. Brooks & Co., Inc.) $75,000

Bankers Management Co. — Common
(McDonald, Holman & Co., Inc.) $400,000

Chemirad Corp. — Common
(Offering to stockholders of Cary Chemicals Inc.—underwritten by Lee Higginson Corp. and P. W. Brooks & Co., Inc.) $331,660

Hauserman (E. F.) & Co. — Common
(Blyth & Co., Inc. and McDonald & Co.) 165,000 shares

National Shares Corp. — Common
(Offering to stockholders—no underwriting) 540,000 shares

Oxford Paper Co. — Debentures
(Blyth & Co., Inc.) $10,000,000

Sanborn Co. — Common
(Paine, Webber, Jackson & Curtis) 100,000 shares

Weingarten (J.), Inc. — Debentures
(White, Weld & Co. and Moroney, Beissner & Co.) $6,500,000

October 16 (Thursday)

Case (J. I.) Co. — Debentures
(Offering to stockholders—underwritten by Morgan Stanley & Co. and Clark, Dodge & Co.) $23,000,000

Pauley Petroleum, Inc. — Common
(William R. Staats & Co.) 500,000 shares

Transcontinental Gas Pipe Line Corp. — Common
(White, Weld & Co. and Stone & Webster Securities Corp.) 600,000 shares

October 20 (Monday)

Scudder Fund of Canada, Ltd. — Common
(Lehman Brothers and William Street Sales, Inc.) 3,000,000 shares

October 21 (Tuesday)

Cincinnati & Suburban Bell Telephone Co. — Debs.
(Bids 11 a.m. EDT) $25,000,000

October 22 (Wednesday)

American & Foreign Co., Inc. — Common
(Lazard Freres & Co. and The First Boston Corp.) 185,000 shares

October 27 (Monday)

Florida Power & Light Co. — Common
(May be Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co.) 300,000 shares

October 28 (Tuesday)

Texas Electric Service Co. — Bonds
(Bids to be invited) $10,000,000

Texas Electric Service Co. — Preferred
(Bids to be invited) $8,000,000

October 29 (Wednesday)

Puget Sound Power & Light Co. — Debentures
(Bids noon EDT) $15,000,000

November 6 (Thursday)

Indiana & Michigan Electric Co. — Bonds
(Bids 11 a.m. EST) $20,000,000

November 10 (Monday)

Perrine Industries, Inc. — Class A common
(Charles Plohn & Co.; Plymouth Bond & Share Corp., and Clayton Securities Corp.) $600,000

November 13 (Thursday)

Norfolk & Western Ry. — Equip. Trust Ctfs.
(Bids to be received) $5,310,000

November 18 (Tuesday)

Pacific Telephone & Telegraph Co. — Debentures
(Bids to be invited) $80,000,000

December 2 (Tuesday)

Public Service Electric & Gas Co. — Common
(May be Merrill Lynch, Pierce, Fenner & Smith) 700,000 shares

December 9 (Tuesday)

Southern Bell Telephone & Telegraph Co. — Debens.
(Bids to be received) $70,000,000

December 18 (Thursday)

Norfolk & Western Ry. — Equip. Trust Ctfs.
(Bids to be received) $6,450,000

Postponed Financing

Consumers Power Co. — Preferred
(Morgan Stanley & Co.) $15,000,000

Gulf States Utilities Co. — Bonds
(Bids to be invited) $17,000,000

Laclede Gas Co. — Bonds
(Bids to be invited) $10,000,000

Michigan Bell Telephone Co. — Debentures
(Bids to be invited) $40,000,000

Montana Power Co. — Bonds
(Bids to be invited) $20,000,000

Moore-McCormack Lines, Inc. — Bonds
(Kuhn, Loeb & Co and Lehman Brothers) $24,000,000

Pennsylvania Power Co. — Bonds
(Bids to be invited) $8,000,000

South Carolina Electric & Gas Co. — Bonds
(Bids to be invited) $10,000,000

Southwestern Bell Telephone Co. — Debentures
(Bids to be invited) $110,000,000

Utah Power & Light Co. — Bonds
(Bids to be invited) $20,000,000

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western Investment Inc., 502 Gettle Bldg., Fort Wayne, Ind.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16, 1957, filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

Gulf States Utilities Co.
Aug. 14 filed $17,000,000 of first mortgage bonds, series A, due 1988. **Proceeds**—Together with cash on hand, to redeem and retire $17,000,000 principal amount of 4⅞% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Stone & Webster Securities Corp.; and Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Had been expected to be received on Sept. 15, but has been indefinitely postponed.

Hauserman (E. F.) & Co. (10/15)
Sept. 23 filed 165,000 shares of common stock (par $1), of which 73,000 shares are to be sold for account of company and 92,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For plant expansion. **Underwriters**—Blyth & Co., Inc., New York, and McDonald & Co., Cleveland, Ohio.

● **Hawaiian Electric Co., Ltd. (10/3)**
Sept. 12 filed 175,000 shares of series G cumulative preferred stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters** — Dillon, Read & Co. Inc., New York; and Dean Witter & Co., San Francisco, Calif.

Haydu Electronic Products, Inc. (10/6)
Sept. 3 (letter of notification) $300,000 6% convertible subordinated debentures due Dec. 31, 1968. To be offered for public sale. **Price**—$100 per $100 of debentures. **Proceeds**—For working capital and for general corporate purposes. **Office**—1426 West Front St., Plainfield, N. J. **Underwriter** — Berry & Co., Plainfield, N. J. and New York, N. Y.

Hoagland & Dodge Drilling Co., Inc.
June 12 filed 27,000 shares of capital stock. **Price—$10 per share. Proceeds—To be used in part for the exploration of mines and development and operation of mines and in payment of indebtedness. Office—Tucson, Ariz. Underwriter—None.**

★ **Holiday Inns of America, Inc., Memphis, Tenn.**
Sept. 24 filed 50,000 shares of common stock (par $1.50) to be issued upon exercise of options granted to certain officers, directors, employees and others. **Price**—$9.75 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ **Horne (Joseph) Co. (10/14)**
Sept. 25 filed $2,538,900 in convertible subordinated debentures due 1973, to be offered for subscription by common stockholders of record Oct. 14, 1958 on the basis of $100 of debens. for each 12 common shares held; rights to expire on Oct. 28, 1958. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, will be used primarily to acquire furniture and fixtures and to provide working capital for the opening of two new stores. [Pending the opening of these stores the proceeds will be used to reduce or eliminate seasonal bank borrowings.] **Business**—Department store. **Underwriter**—The First Boston Corp., New York.

Household Gas Service, Inc.
Sept. 10 (letter of notification) $75,000 6% convertible debentures due June 15, 1973 to be offered in denominations of $1,000 and $500 each. **Price**—At par. **Proceeds**—For repayment of debt and for working capital. **Office**—Clinton, N. Y. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y.

Idaho Manufacturing Co., Inc.
Aug. 22 (letter of notification) 2,000 shares of class A stock (par $15), $170,000 of 6% subordinated debentures and 2,000 shares of class B stock (par $15) to be offered first to stockholders. **Price**—$15 per share for class A and $100 per unit to stockholders (each unit consisting of $85 of debentures and one class B share). **Proceeds**—For expenses of setting up production and distribution; manufacturing and operating expenses and for operating capital. **Office**—210 North 30th, P. O. Box 5070, Boise, Ida. **Underwriter**—First Idaho Corp., Boise, Ida.

Idaho Power Co. (10/14)
Sept. 17 filed $15,000,000 of first mortgage bonds due 1988. **Proceeds**—To reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Bids**—Expected to be received on Oct. 14.

● **Imperial Packing Corp. (10/7)**
Aug. 21 (letter of notification) 290,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses in the production of citrus juices and by-products and working capital. **Office**—Anaheim, Calif. **Underwriter**—Simmons & Co., New York, N. Y.

★ **Indiana & Michigan Electric Co. (11/6)**
Sept. 26 filed $20,000,000 of first mortgage bonds due Nov. 1, 1988. **Proceeds**—To retire bank loans used for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 6.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). **Price—$1 per share. Proceeds—To develop and operate graphite and mica properties in Alabama. Underwriters—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis.**

Industro Transistor Corp. (N. Y.)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). **Price—To be related to the market price. Proceeds—For working capital and to enlarge research and development department. Underwriter — S. D. Fuller & Co., New York. Offering—Being held in abeyance.**

★ **Investors Realty Mortgage & Financial Corp.**
Sept. 24 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price** — $2 per share. **Proceeds**—To purchase real estate mortgages, loans to business concerns and for working capital. **Office**—2928 Pickens St., Aiken, S. C. **Underwriter**—None.

Investors Realty Mortgage & Financial Corp.
July 24 filed $250,000 of investors income certificates (6% 10-year maturities) and 125,000 shares of class A common stock. **Price**—The certificates will be offered in various denominations at 100% per certificate, and the class A common stock at $2 per share. **Proceeds**—For the purpose of owning, buying and selling, and otherwise dealing in real estate, or matters pertaining to real estate and the improvement thereof, in the areas in which the company will operate **Office**—Aiken, S. C. **Underwriter**—None. Statement withdrawn Sept. 17.

● **Israel-Negev Petroleum Corp. (10/3)**
Aug. 29 filed 750,000 shares of capital stock (par 20 cents). **Price**—$1 per share; but the company may grant to purchasers of 100,000 or more shares a discount of 37½% from the offering price. **Business**—To engage primarily in the business of exploring for, acquiring interests in, developing and operating oil and gas properties in Israel. **Proceeds**—For drilling and exploration purposes. **Underwriter**—Alkow & Co., Inc. (formerly Henry Montor Associates, Inc.), New York.

Itek Corp.
Sept. 15 (letter of notification) 9,340 shares of common stock (par $1) to be offered for subscription by common stockholders on basis of one share for each 12 shares held. Unsubscribed shares to be sold to certain stockholders. The offering will be made sometime in October. **Price**—$30 per share. **Proceeds** — For working capital and acquisition of a plant site. **Office**—1605 Trapelo Rd., Waltham, Mass. **Underwriter**—None.

★ **Kaiser Industries Corp., Oakland, Cal.**
Sept. 26 filed 1,000,000 shares of common stock (par $4) to be offered under the company's Restricted Stock Option Plan for Officers and Employees.

★ **Kentucky Jockey Club, Inc., Louisville, Ky.**
Sept. 26 filed $2,300,000 of 6% first mortgage bonds due 1973, and 230,000 shares of common stock (par $1) to be offered in units of $100 of bonds and 10 common shares (5 of which will not be separately transferable from the bonds to which they pertain prior to Dec. 1, 1959). **Price**—To be supplied by amendment. **Proceeds**—For completion of the Latonia plant, and for general corporate purposes. **Underwriters**—The Kentucky Co., Louisville, Ky., and Scherck, Richter Co., St. Louis, Mo.

Kinsman Manufacturing Co., Inc.
Aug. 25 (letter of notification) 1,482 shares of common stock (no par). **Price** — $100 per share. **Proceeds** — To pay off short-term obligations and to improve working capital. **Office**—90 Mill St., Laconia, N. H. **Underwriter**—None.

Laclede Gas Co.
June 18 filed $10,000,000 of first mortgage bonds due 1983. **Proceeds**—To refund 4⅞% first mortgage bonds due 1982. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Smith and Reinholdt & Gardner (jointly); Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp. **Bids**—Had been expected to be received up to 11 a.m. (EDT) on July 8, but offering has been postponed indefinitely

Laughlin Alloy Steel Co., Inc.
Aug. 28 filed $500,000 of 6% subordinated callable debentures due June 30, 1968, and 150,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 30 common shares. **Price**—$100 per unit. **Proceeds**—Together with a $175,000 mortgage loan from the American Brake Shoe Co., will be used to meet expenditures in acquiring latter company's South San Francisco foundry and for working capital. **Offices**—Las Vegas, Nev., and South San Francisco, Calif. **Underwriter**—Sam Watson Co., Inc., Little Rock, Ark., on a best efforts basis.

Leader-Cleveland Realty Associates, N. Y.
July 16 filed $1,280,000 of participations in partnership interests. **Price**—$10,000 per participation. **Proceeds**—To purchase the Leader Building in Cleveland, Ohio. **Underwriter**—None.

Life Insurance Securities Corp.
March 28 filed 1,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." **Underwriter**—First Maine Corp., Portland, Me.

★ **Long Island Casualty Insurance Co.**
Sept. 29 filed 100,000 shares of capital stock (par $2.50) to be offered for subscription by holders of the company's presently outstanding 55,975 shares. **Price**—$6 per share. **Proceeds**—To be added to capital funds. **Office**—Garden City, L. I., N. Y. **Underwriter**—None.

Lowell Gas Co., Lowell, Mass.
Aug. 28 filed 15,400 shares of common stock (par $25). Of this stock, 12,000 shares are being offered in behalf of the issuing company and 3,400 shares by American Business Associates, present owner of 68,178 (98.86%) of the 68,962 outstanding shares. The 12,000 shares are being offered for subscription by existing stockholders at the rate of two new shares for each 11 shares owned as of Sept. 17; rights to expire on Oct. 10. The parent will not exercise its rights to its pro rata share. **Price**—$45 per share. **Proceeds**—Together with other funds, will be applied to pay short-term construction notes payable to banks, and any balance will be applied to reimburse the company for expenditures made for property additions. **Underwriter**—F. L. Putnam & Co., Inc., Boston, Mass.

★ **LuHoc Mining Corp.**
Sept. 29 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds** — For the acquisition of properties under option and for various geological expenses, test drilling, purchase of equipment, and other similar purposes. **Offices**—Wilmington, Del., and Emporium, Pa. **Underwriter**—None.

Madison Gas & Electric Co. (10/7)
Sept. 10 filed $11,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay short-term bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The Milwaukee Co., and Dean Witter & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Smith; Otis & Co., Inc.; Smith, Barney & Co. and Robert W. Baird & Co. (jointly); Eastman Dillon, Union Securities & Co. **Bids**—To be received up to 10 a.m. (CDT) on Oct. 7, at 111 West Monroe St., Chicago, Ill.

Magna Investment & Development Corp.
May 26 filed 56,000 shares of common stock and $500,000 of 6% convertible debentures. **Price**—For debentures, at par (in $1,000 units); and for common stock, $4.50 per share. **Proceeds**—For contractual obligations, for working capital, and other general corporate purposes. **Business** — To engage primarily in the development and operation of various properties, including shopping centers. **Office**—Salt Lake City, Utah. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. **Offering**—Expected sometime in October.

Mairs & Power Fund, Inc., St. Paul, Minn.
Aug. 6 filed 40,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—1002 First National Bank Bldg., St. Paul, Minn.

Martin Co., Baltimore, Md.
June 11 filed $25,000,000 of sinking fund debentures, due July 1, 1978. **Proceeds** — Working capital and general corporate purposes. **Price**—To be supplied by amendment. **Underwriter**—Smith, Barney & Co., N. Y. **Offering**, which was expected on July 2, has been postponed. Issue to remain in registration.

Mason Mortgage & Investment Corp.
Aug. 20 filed $6,000,000 of warranty and repurchase agreements and 5,000 shares of cumulative preferred stock, 6% dividend series, the latter shares to be offered principally to holders of whole mortgage notes and related warranty agreements, although the company reserves the right to offer such stock to others. **Price**—For preferred stock, at par ($200 per share). **Proceeds**—To be used principally for the purchase of additional mortgage notes for resale to others. **Office**—2633 15th Street, N. W., Washington, D. C. **Underwriter**—None.

Mayfair Markets
March 24 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

Middle States Telephone Co. of Illinois
Aug. 20 (letter of notification) 12,906 shares of common stock (par $10) being offered for subscription by stockholders of record Sept. 16, 1958 on the basis of one new share for each 12½ shares held as of record Sept. 16; rights to expire on Sept. 30. **Proceeds** — To discharge short term loans and for working capital. **Office** — 416 Margaret St., Pekin, Ill. **Underwriter**—None.

Mid-West Durex Co., Kansas City, Mo.
July 14 filed 725,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For construction of plant and for working capital. **Underwriter**—Investment Sales, Inc., 532 E. Alameda Ave., Denver 9, Colo.

Midwest No-Joint Concrete Pipe Co.
Aug. 22 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Address**—P. O. Box 550, Rocky Ford, Colo. **Underwriter**—IAI Securities Corp., Englewood, Colo.

Milgo Electronic Corp.
Aug. 6 (letter of notification) 10,000 shares of common stock (par $1) to be offered for subscription by present stockholders on the basis of one share for each 8.8 shares owned of record date. Rights expire in September. **Price**—$24 per share to stockholders; $26 to general public. **Proceeds**—For test equipment and working capital. **Office**—7601 N. W. 37th Avenue, Miami, Fla. **Underwriter**—None.

Minerals Consolidated, Inc., Salt Lake City, Utah
Aug. 29 filed 1,000,000 units, each consisting of one share of common stock (par 10 cents) and two warrants to pur-

chase one common share. **Price**—$1 per unit. **Proceeds**—For drilling, exploration and development of oil and gas properties. **Underwriter**—None.

★ Mon-Dak Oil, Inc., Sidney, Mont.
Sept. 26 filed 6,860 shares of class A voting common stock and 367,000 shares of class B non-voting common stock. The class A and class B shares will be offered in exchange for oil and gas leases on the basis of one share for each $1 value of such leases. The class B shares will also be issued in payment of salaries and services rendered. **Price**—$1 per class B share. **Proceeds**—For expenses incidental to the operation of a mining company. **Underwriter**—None.

Montana Power Co.
July 1 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds** — Together with other funds, to be used to repay $15,500,000 in bank loans and to carry on the company's construction program through 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids**—Had been expected to be received up to noon (EDT) on Aug. 26 at Room 2033, Two Rector St., New York, N. Y., but company on Aug. 22 again decided to defer sale pending improvement in market conditions.

Montana Power Co.
July 1 filed 100,000 shares of common stock (no par). The stock will be offered only to bona fide residents of Montana. **Price**—To be related to the current market price on the New York Stock Exchange. **Proceeds**—Together with other funds, to carry on the company's construction program through 1959. **Manager-Dealers** — Smith, Barney & Co., Kidder, Peabody & Co. and Blyth & Co., Inc.

Motion Picture Investors Inc.
July 11 filed 200,000 shares of common stock (par $1). **Price**—$10.75 per share. **Proceeds**—For investment. **Office**—1000 Power & Light Bldg., Kansas City, Mo. **Underwriter**—None.

• Mountain States Telephone & Telegraph Co.
Sept. 3 filed 700,961 shares of capital stock being offered for subscription by stockholders of record Sept 26, 1958 at rate of one new share for each five shares held; rights to expire on Oct. 24, 1958. **Price** — At par ($100 per share). **Proceeds** — To repay advances from American Telephone & Telegraph Co., the parent; and for general corporate purposes. **Underwriter**—None. **Control**—The parent owns over 80% of the 3,504,809 outstanding shares.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9, 1957 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

★ Murphy (A. A.) & Co., Inc. (10/7)
Sept. 22 (letter of notification) 6,000 shares of 6% prior preferred stock, 1956 series. **Price** — At par ($50 per share). **Proceeds**—For working capital. **Office**—174 E. 6th St., St. Paul, Minn. **Underwriter**—Piper, Jaffray & Hopwood, Minneapolis, Minn.

National Beryl & Mining Corp., Estes Park, Colo.
May 16 (letter of notification) 2,916,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Birkenmayer & Co., Denver, Colo.

National Educators Finance Corp.
June 4 (letter of notification) 50,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—To train and procure persons to implement and carry out the projected plan of development and operation. **Office**—1406 Pearl St., Boulder, Colo. **Underwriter**—Western Securities Co., Boulder, Colo.

★ National Shares Corp. (10/15)
Sept. 26 filed 540,000 additional shares of capital stock (par $1) to be offered for subscription by stockholders at rate of one new share for each two shares held as on Oct. 15, 1958 (with an oversubscription privilege); rights to expire on or about Oct. 29, 1958. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Business**—A diversified management investment company of the closed-end type. **Underwriter**—None.

Nebraska Consolidated Mills Co., Omaha, Neb.
Sept. 9 filed 49,423 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one new share for each eight shares held (with an oversubscription privilege). **Price** — $10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

• New England Telephone & Telegraph Co.
July 31 filed $40,000,000 of 34-year debentures due Sept. 1, 1992. **Proceeds** — To refund a like amount of 4½% first mortgage bonds, series B, due May 1, 1961, which are intended to be redeemed on Nov. 1, 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids**—Were to have been received at Room 2315, 195 Broadway, New York, N. Y., up to 11 a.m. (EDT) on Aug. 26, but company on Aug. 20 decided to postpone refunding program. Statement withdrawn Sept. 11.

• North Carolina Natural Gas Corp. (10/6-11)
July 31 filed $5,200,000 of subordinated income debentures due Aug. 15, 1983, and 520,000 shares of common stock (par $2.50) to be offered in units of $20 of debentures and two shares of stock. **Price**—To be supplied by amendment (a maximum of $33 per unit). **Proceeds** — Together with funds from private placement of $13,750,000 of 5⅝% first mortgage pipeline bonds due June 1, 1979, to be used for construction program and working capital. **Office**—Fayetteville, N. C. **Underwriter**—Kidder, Peabody & Co., New York.

North Carolina Telephone Co.
June 19 (letter of notification) 207,143 shares of common stock to be offered to common stockholders at the ratio of one share for each six shares held. **Price**—At par ($1 per share). **Proceeds**—To pay off obligations and for telephone plant construction. **Underwriter**—None.

★ Northern Wholesale Hardware Co.
Sept. 23 (letter of notification) 300 shares of common stock. **Price**—At par ($1,000 per share). **Proceeds**—For working capital. **Office**—805 N. W. Glisan St., Portland 9, Ore. **Underwriter**—None.

Northwest Gas & Oil Exploration Co.
Aug. 22 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For acquisition of additional gas and oil interests and corporate administrative expenses. **Office**—150 Broadway, New York 38, N. Y. **Underwriter** — Greenfield & Co., Inc., New York 5, N. Y.

Northwestern Steel & Wire Co. (10/8)
Sept. 12 filed 125,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Blyth & Co., Inc., New York.

Oak Ridge, Inc.
Sept. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital. **Office**—11 Flamingo Plaza, Hialeah, Fla. **Underwriter** — Henry & Associates, Inc., 11 Flamingo Plaza, Hialeah, Fla.

• Oil & Mineral Operations, Inc., Tulsa, Okla.
April 14 filed 200,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—For payment of loans, various—To acquire and operate mining claims and oil and gas equipment, and a reserve for future operations. **Business** properties. **Underwriter**—Universal Securities Co Enterprise Building, Tulsa, Okla. Statement withdrawn May 1, 1958.

O. T. C. Enterprises Inc.
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share. **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md. **Underwriter**—Burnett & Co., Sparks, Md.

★ Oxford Paper Co., New York (10/15)
Sept. 25 filed $10,000,000 of convertible subordinated debentures due Oct. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—For capital improvements programs for the years 1959-1962 inclusive. **Underwriter**—Blyth & Co., Inc., New York.

Paradox Production Corp., Salt Lake City, Utah
April 18 filed 767,818 shares of common stock (par $1), of which 100,000 shares are to be offered by the company in exchange for oil and gas properties and 3,000 for services; the remaining 664,818 shares are to be offered to the public. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Market Securities, Inc., Salt Lake City, Utah. Statement effective June 5.

• Pauley Petroleum, Inc. (10/16)
Sept. 24 filed 500,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For repayment of notes and for working capital. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Peerless Weighing & Vending Machine Corp.
June 27 (letter of notification) a maximum of 25,000 shares of common stock (par $1) to be offered to minority stockholders on the basis of one new share for each four shares held. Any unsubscribed shares will be purchased by Rock-Ola Mfg. Corp. Warrants expire 20 days from date of issuance. **Price**—$4.25 per share. **Proceeds**—For working capital. **Office**—800 N. Kedzie Ave., Chicago 51, Ill. **Underwriter**—None.

• Pennroad Corp.
Sept. 12 filed 1,286,619 shares of common stock (par $1) being offered for subscription by common stockholders of record Oct. 1, 1958 on the basis of one new share for each four shares held (with an oversubscription privilege); rights to expire Oct. 15. **Price**—$16.25 per share. **Proceeds**—For additional investments and general corporate purposes. **Change in Name**—The corporation's name to be changed to Madison Fund, Inc. **Underwriter**—Kuhn, Loeb & Co., New York.

★ Penn-Texas Corp.
Sept. 25 filed 1,488,438 shares of common stock (par $1 to be offered for subscription by common stockholders at the rate of one new share for each three shares held. **Price**—To be supplied by amendment. **Proceeds**—To be used to buy from Robert H. Morse, Sr., 297,231 common shares of Fairbanks, Morse & Co. **Underwriter**—Bear, Stearns & Co., New York.

Pennsylvania Power Co.
Aug. 1 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem a like amount of 5% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co.; Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids** — Tentatively had been expected to be received up to 11 a.m. (EDT) on Aug. 27 but company on Aug. 22 decided to defer sale pending improvement in market conditions.

Peoples Gas Light & Coke Co. (10/6)
Sept. 12 filed 447,346 shares of capital stock (par $25) to be offered for subscription by stockholders of record Oct. 2, 1958 at rate of one new share for each 11 shares held; rights to expire on Oct. 20, 1958. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, for advances to or additional equity investments in subsidiaries and for construction program. **Underwriters**—Glore, Forgan & Co. and The First Boston Corp., both of New York.

Perrine Industries, Inc., Miami, Fla. (11/10-14)
Sept. 23 filed 150,000 shares of class A common stock (par $1), of which 125,000 shares are to be sold for account of company and 25,000 shares for selling stockholders. **Price**—$4 per share. **Proceeds**—$150,000 for expansion of business of Glass Arts, Inc., a subsidiary; $100,000 for reduction of indebtedness; and the balance for general corporate purposes. **Underwriters**—Charles Plohn & Co., New York; Plymouth Bond & Share Corp., Miami, Fla.; and Clayton Securities Corp., Boston, Mass.

Pioneer Telephone Co., Waconia, Minn.
Sept. 10 (letter of notification) 3,000 shares of 5¼% series F cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For expansion and improvements. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

Policy Advancing Corp.
March 25 (letter of notification) 30,250 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each share held; unsubscribed shares to be offered to debenture holders and to others. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

Ponce de Leon Trotting Association, Inc.
Aug. 7 filed 400,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To pay current liabilities, for new construction and working capital. **Office**—Bayard, Fla. **Underwriter**—Robert L. Ferman Co., Inc., Miami, Fla.

Prairie Fibreboard Ltd.
Aug. 18 filed 209,993 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $3 per share. **Proceeds** — For construction purpose. **Office** —Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., and United Securities, Ltd., both of Saskatoon, Canada.

• Precise Development Corp. (10/8)
Sept. 8 (letter of notification) 60,000 shares of 20-cent convertible preferred stock (par $1) and 60,000 shares of common stock (par 25 cents) to be offered in units of one share of preferred stock and one share of common stock. **Price**—$5 per unit. **Proceeds**—To reduce outstanding bank loans and for general working capital, etc. **Office** — 2 Neil Court, Oceanside, Long Island, N. Y. **Underwriter**—R. A. Holman & Co., Inc., 54 Wall St., New York, N. Y.

Preferred Risk Life Insurance Co.
Sept. 8 filed 250,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To increase capital and surplus. **Office**—Colorado Springs, Colo. **Underwriter**—None.

Private Enterprise, Inc., Wichita, Kansas
May 5 filed 125,000 shares of common stock. **Price**—$10 per share. **Proceeds** — To be used to organize, or reorganize and then operate companies in foreign nations, principally, but not exclusively, in the Far East, Near East and Africa. **Underwriter**—None.

Public Service Co. of Indiana, Inc.
Aug. 27 filed 242,826 shares of 4.80% cumulative convertible preferred stock (par $100) being offered for subscription by common stockholders of record Sept. 16, 1958 on the basis of one preferred share for each 20 common shares held; rights to expire on Oct. 6, 1958. **Price**—$100 per share. **Proceeds**—To reduce bank loans. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

★ Puget Sound Power & Light Co. (10/29)
Sept. 26 filed $15,000,000 of debentures due Nov. 1, 1983. **Proceeds**—To reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Smith; Stone & Webster Securities Corp., The First Boston Corp. and Smith, Barney & Co. (jointly). **Bids**—To be received up to noon (EST) on Oct. 29 at 90 Broad St., 19th Floor, New York 6, N. Y.

★ Puritan Fund, Inc., Boston, Mass.
Sept. 24 filed (by amendment) an additional 2,000,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

★ Racing, Inc., Pocono, Pa.
Sept. 19 (letter of notification) 800 shares of 5% cumulative preferred stock (par $50) and 20,000 shares of class A non-voting common stock (par $10). **Price**—At par. **Proceeds**—To purchase land and to construct race track. **Underwriter**—None.

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Rassco Financial Corp.
June 26 filed $1,000,000 of 15-year 6% series A sinking fund debentures due 1973, to be offered in denominations of $500 and $1,000. **Price**—At par. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Rassco Israel Corp., New York, on a "best efforts" basis.

Reynolds Engineering & Supply, Inc.
Aug. 22 (letter of notification) 60,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—2118 N. Charles St., Baltimore 18, Md. **Underwriter**—L. L. Bost Co., Baltimore, Md.

★ Richey Mfg. Co.
Sept. 22 (letter of notification) 2,000 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To buy machinery and equipment and for working capital. **Office**—2801 Rochester Rd., Springfield, Ill. **Underwriter**—None.

Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1). Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment. **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter** — Pacific Securities Ltd., Vancouver, Canada.

Riddle Airlines, Inc., Miami, Fla.
May 15 filed 750,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—James H. Price & Co., Inc., of Coral Gables, Fla., for 250,000 shares; balance on "best efforts" basis.

Rocky Mountain Quarter Racing Association
Oct. 31, 1957 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstanding indebtedness. **Office**—Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

★ Routh Robbins Investment Corp.
Sept. 22 filed $1,000,000 of 10-year 6% cumulative convertible debentures and 99,998 shares of common stock. **Price**—Of debentures, at par (in units of $100 each); and of stock, $1 per share. **Proceeds** — For investments and working capital. **Office**—Alexandria, Va. **Underwriter**—None.

● R T & E Corp., Waukesha, Wis. (10/14)
Sept. 18 filed 40,740 shares of common stock (par $1). **Price**—$15 per share. **Proceeds**—To selling stockholders. **Business**—Company is engaged in the manufacture and sale of electric distribution transformers for use by electric power companies. **Underwriter**—Loewi & Co., Inc., Milwaukee, Wis.

★ Sanborn Co., Waltham, Mass. (10/15)
Sept. 25 filed 118,530 shares of common stock (par $1), of which 100,000 shares are to be offered publicly and 18,530 shares will be offered in exchange for outstanding shares of 6% cumulative preferred stock. **Price**—To be supplied by amendment. **Business**—Manufactures electronic measurement and recording instruments. **Proceeds**—To repay $200,000 bank loans; to retire $510,000 of 5¼% notes; and the remainder will be available for general corporate purposes, particularly working capital. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

Scientific-Atlanta, Inc.
Sept. 11 (letter of notification) 6,500 shares of common stock (par 50 cents) to be offered for subscription by common stockholders of record Sept. 10, 1958 on the basis of one new share for each 20 shares held; rights to expire Nov. 14, 1958. **Price**—$5 per share. **Proceeds**—For working capital. **Office**—2162 Piedmont Road, N. E., Atlanta 9, Ga. **Underwriter**—None.

★ Scudder Fund of Canada, Ltd. (10/20-24)
Sept. 26 filed an additional 3,000,000 shares of capital stock. **Price**—At market. **Proceeds** — For investment. **Dealer-Managers**—Lehman Brothers and William Street Sales, Inc., both of New York. At end of initial distribution period (probably extending to the year end), latter will become the sole distributor of the shares.

★ Scudder, Stevens & Clark Common Stock Fund, Inc.
Sept. 26 filed (by amendment) an additional 300,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment

★ Scudder, Stevens & Clark Fund, Inc.
Sept. 26 filed (by amendment) an additional 100,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

Sheridan-Belmont Hotel Co.
Aug. 19 (letter of notification) $250,000 of 6% convertible debentures due Sept. 15, 1963 to be offered for subscription by common stockholders on a pro rata basis. **Price**—At par. **Proceeds**—For working capital. **Office** — 3172 North Sheridan Rd., Chicago 14, Ill. **Underwriter**—None

★ Shop Rite Foods, Inc., Albuquerque, N. Mex.
Sept. 25 filed 35,383 shares of common stock (par $5) to be offered for subscription by stockholders at the rate of one new share for each four shares held of record Oct. 21, 1958, rights to expire on Nov. 10. **Price**—$11.50 per share. **Proceeds**—For equipment, merchandise and general corporate purposes. **Underwriters**—First Southwest Co., Dallas, Texas; and Miner, Mee & Co., Albuquerque, New Mexico.

Simplicity Pattern Co. Inc., N. Y.
Aug. 15 filed 42,500 shares of common stock (par $1). **Price**—At the market or at a price within a range not less than the bid price and not higher than the asking price quoted on the New York Stock Exchange at the time of offering. The shares will also be offered from time to time on such Exchange at a price within the foregoing range. **Proceeds**—To go to Joseph M. Shapiro, the selling stockholder. **Underwriter** — Lee Higginson Corp., New York. **Offering**—Indefinitely postponed.

South Carolina Electric & Gas Co.
Aug. 12 filed $10,000,000 first and refunding mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; The First Boston Corp., and Lehman Brothers (jointly). **Bids**—Had been expected to be received up to 11:30 a.m. (EDT) on Sept. 10, at 70 Broadway, New York, N. Y., but sale has been postponed.

Standard Oil Co. (New Jersey)
July 31 filed 11,406,078 shares of capital stock (par $7) being offered in exchange for Humble Oil & Refining Co. capital stock at rate of five Standard Oil shares for each four Humble Oil shares. The offer is expected to remain open until Oct. 14, 1958. **Exchange Agent**—Morgan Stanley & Co., New York.

Stanway Oil Corp.
Aug. 14 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and operation of an oil well. **Office** — 9151 Sunset Blvd., Los Angeles 46, Calif. **Underwriter**—U. S Corporation Co., Jersey City, N. J.

State Life, Health & Accident Insurance Co.
July 9 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be invested in stocks and bonds and to acquire other life insurance companies. **Address**—P. O. Box 678, Gulfport, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss.

Strategic Minerals Corp. of America, Dallas, Tex.
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $1 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

Strouse, Inc.
July 29 (letter of notification) 26,850 shares of common stock (par 10 cents) to be issued upon exercise of warrants. **Price**—$1 per share. **Office**—Main & Astor Sts., Norristown, Pa. **Underwriter**—H. A. Riecke & Co., Inc., Philadelphia, Pa.

Tennessee Gas Transmission Co.
Sept. 11 filed 467,098 shares of common stock (par $5) to be offered in exchange for outstanding capital stock (5,766.633 shares) of Hartol Petroleum Corp. on the basis of 81 shares of Tennessee Gas stock for each Hartol share.

Texas Calgary Co., Abilene, Texas
April 30 filed 2,000,000 shares of capital stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Underwriter**—Thomson Kernaghan & Co., Ltd., Toronto, Canada. To be offered in Canada only.

Thomas Paint Products Co.
May 26 (letter of notification) 1,250 shares of common stock (par $10) and $37,500 of 6% serial subordinated debentures series 1958, to be offered in units of one share of stock and $50 principal amount of debentures to be offered to stockholders on the basis of one unit for each two shares of stock owned (500 of the shares are being offered to the President of the company). **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—543 Whitehall St., S. W., Atlanta, Ga. **Underwriter**—None.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit **Proceeds** — For working capital. **Office** — 111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

Tip Top Oil & Gas Co., Salt Lake City, Utah
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—To drill two new wells and for general corporate purposes. **Underwriter** — Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

Trans-America Uranium Mining Corp.
Nov. 6, 1957 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo. Ia., is President.

● Transcontinental Gas Pipe Line Corp. (10/16)
Sept. 24 filed 600,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—For repayment of outstanding notes and for construction program. **Underwriters**—White, Weld & Co., and Stone & Webster Securities Corp., both of New York.

Trans-Eastern Petroleum Inc.
Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. **Price**—$4 per share. **Proceeds**—For drilling for oil and gas **Office**—203 N. Main Street, Coudersport, Pa. **Underwriter**—None.

● Treasure Hunters, Inc., Washington, D. C.
Aug. 14 filed 1,946,499 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For research program, exploration, and it is hoped, recovery of buried and sunken treasure and exploitation of lost mines and other mineral deposits. **Office**—130 East 18th Street, Brooklyn 26, N. Y. Daniel Stack is President. **Underwriter**—None. Statement to be withdrawn.

Tricon, Inc.
Aug. 8 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To pay expenses and cost of plant option; for first year's payment on instalment purchase contract for land and improvements; for construction of plant, tools and equipment; advertising and working capital. **Office** — 540 Steamboat Rd., Greenwich, Conn. **Underwriter**—Sano & Co., New York, N. Y.

Triton Corp., Newark, N. J.
Aug. 1 filed $1,600,000 of 5% debentures due 1973, 4,000 shares of 6% preferred stock (par $100) and 48,000 shares of common stock (par $1) to be offered in units of $8,000 of debentures, 20 shares of preferred stock and 240 shares of common stock. **Price**—$10,240 per unit. **Proceeds**—To acquire, own and operate interests in producing oil and gas properties. **Underwriter**—None. **Office**—11 Commerce Street, Newark, N. J. Timothy H. Dunn is President.

Tungsten Mountain Mining Co.
Aug. 11 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—To extinguish present indebtedness, increase reserve for contingencies and working capital. **Office**—511 Securities Bldg., Seattle 1, Wash. **Underwriter**—H. P. Pratt & Co., 807 Hoge Bldg., Seattle 4, Wash.

Twentieth Century Investors, Inc., Kansas City, Mo.
June 20 filed 2,000,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Stowers & Co., Kansas City, Mo.

Twentieth Century Investors Plan, Kansas City, Mo.
June 20 filed $10,000,000 of plans for the accumulation of shares of Twentieth Century Investors, Inc. **Price**—At market. **Proceeds** — For investment. **Underwriter**—Stowers & Co., Kansas City, Mo.

★ Union Finance Corp., Tampa, Fla.
Sept. 26 filed $500,000 of 6% 20-year sinking fund convertible capital debentures due Oct. 15, 1978. **Proceeds**—To be added to the general funds of the company and initially used to reduce bank loans and short term notes. **Underwriter**—Beil & Hough, Inc., St. Petersburg, Fla.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

United Life & Accident Insurance Co.
Aug. 8 (letter of notification) 410 shares of capital stock (par $20) being offered for subscription by stockholders of record Aug. 29, 1958 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire Sept. 30, 1958. **Price** — $375 per share. **Proceeds**—For operating a life insurance and a sickness and accident insurance company. **Office**—2 White St., Concord, N. H. **Underwriter**—None.

United Security Life & Accident Insurance Co.
Aug. 22 filed 120,000 shares of class A common stock. **Price**—$3 per share. **Proceeds**—To provide the reserves required to be held in life and accident insurance policies, and to pay the necessary expenses in producing insurance. **Office**—Louisville, Ky. **Underwriter**—None. Edmond M. Smith, is President.

U. S. Land Development Corp.
Aug. 15 filed 1,200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To be added to the company's general funds and used to develop Pineda Island near Mobile, Ala. **Office**—Fort Lauderdale, Fla. **Underwriter**—Palm Beach Investment Co., Inc., 308 South County Road, Palm Beach, Fla.

● Universal-Cyclops Steel Corp.
Aug. 5 filed $22,500,000 of sinking fund debentures due Sept. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—To repay $10,300,000 of bank loans and for construction program. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill., and New York, N. Y. Statement being withdrawn.

Universal Oil Recovery Corp., Chicago, Ill.
June 4 filed 37,500 shares of class A common stock. **Price**—$4 per share. **Proceeds**—For exploration and development of properties, and the balance for other corporate purposes. **Underwriter**—None.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For

development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Utah Power & Light Co.
June 26 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem $15,000,000 of first mortgage bonds, 5¼% series due 1987, to repay $4,000,000 of bank borrowings, and the balance together with further borrowings under a bank agreement and cash generated in the business will be used to carry forward the construction program of the company and its subsidiaries amounting to approximately $43,000,000 for the period 1958-1960. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., First Boston Corp. and Blyth & Co. Inc. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Salomon Brothers & Hutzler; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., and Smith, Barney & Co. (jointly). **Bids**—Were to have been received in Room 2033, 2 Rector Street, New York, N. Y., up to noon (EDT) on Sept. 9, but were postponed on Sept. 3. Bids will now be received on such day subsequent to Sept. 22, 1958 but not later than Nov. 25, 1958 as shall be designated by company.

Weingarten (J.), Inc., Houston, Texas (10/15)
Sept. 22 filed $6,500,000 of sinking fund debentures due Oct. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—To repay outstanding indebtedness and for expansion of supermarket chain and related facilities. **Underwriters**—White, Weld & Co., New York; and Moroney, Beissner & Co., Houston, Texas.

Weingarten Markets Realty Co. (10/13-17)
Sept. 19 filed $1,600,000 of 6% sinking fund debentures, due Nov. 1, 1978, and 50,000 shares of common stock (par $1). The offering of the common stock will be subject to the right of certain stockholders to subscribe for a total of 9,410 shares at the rate of one new share for each four shares held. [Stockholders who have right to subscribe for remaining 40,590 shares have waived such right.] **Price**—To be supplied by amendment. **Proceeds**—To discharge bank loans and other indebtedness, and the balance will be used for further property acquisitions and development and other regular corporate purposes. **Underwriter**—Moroney, Beissner & Co., Houston, Texas.

• **Wellington Equity Fund, Inc. (10/7)**
Aug. 29 filed 3,000,000 shares of capital stock (par $1). **Price**—$12 per share. **Proceeds**—For investment. **Underwriters**—Kidder, Peabody & Co., Bache & Co., Reynolds & Co. Inc. and Dean Witter & Co., all of New York.

Western Carolina Telephone Co., Weaverville, N. Car.
June 6 filed 89,391 shares of common stock to be offered for subscription by holders of outstanding common stock at the rate of one new share for each three shares held. The record date is to be supplied by amendment. **Price**—At par ($5 per share). **Proceeds**—To be applied to the payment of $700,000 of short-term bank loans incurred in carrying forward the company's construction and conversion program. **Underwriter**—None.

Western Industrial Shares, Inc., Denver, Colo.
July 16 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—For investment. **Underwriter** — Andersen, Randolph & Co., Inc., 65 So. Main St., Salt Lake City, Utah.

Westland Oil Co., Minot, N. Dak.
April 17 filed 7,799 shares of capital stock to be offered for subscription by stockholders of record March 24 at rate of one new share for each four shares held and one additional share for the balance of such holdings in excess of the number of shares divisible by four; also to be offered holders of outstanding 5% subordinated debentures of record March 24 at rate of five shares for each $1,000 of debentures then held. **Price** — $60 per share. **Proceeds**—For working capital. **Underwriter**—None.

Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares to be publicly offered at $3 each. **Proceeds** — For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter** — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

• **Wisconsin Electric Power Co.**
Sept. 3 filed 510,005 shares of common stock (par $10) being offered for subscription by holders of outstanding common at the rate of one new share for each 10 shares held as of Sept. 24, 1958 (with an oversubscription privilege); rights to expire on Oct. 14. **Price**—$29 per share. **Proceeds**—For capital expenditures. **Underwriter**—None.

Prospective Offerings

Acme Steel Co.
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. **Proceeds**—For expansion program, working capital and inventories. **Underwriters**—Blyth & Co. Inc. and Merrill Lynch, Pierce, Fenner & Smith.

Arabol Manufacturing Co., N. Y. (10/9)
Sept. 9 it was announced that bids will be received at the Department of Justice, Office of Alien Property, Room 664, 101 Indiana Ave., N. W., Washington 25, D. C., by 11 a.m. (EDT) on Oct. 9, 1958, for the purchase from the Attorney General of the United States as an entirety, 515.6 shares of common capital stock (par $100) and 210 shares of 6% cumulative preferred capital stock (par $100) of this company.

Arvida Corp. (Florida)
Sept. 18 it was announced by Arthur Vining Davis, former Chairman of Aluminum Co. of America, that it is planned to raise between $25,000,000 and $35,000,000 through the sale of common stock of Arvida Corp. **Price**—Expected to be about $10 or $11 per share. **Proceeds**—To develop residential communities in the near future, complete with regional shopping areas, industrial parks, utility installations and recreational facilities. **Underwriters**—Carl M. Loeb, Rhoades & Co., and Dominick & Dominick, both of New York. **Offering**—Scheduled to begin within the next two months. **Registration** — Expected in the near future.

Austria (Republic of)
July 15 it was announced that the country contemplates the issuance and sale of $30,000,000 bonds. **Proceeds**—For electric power projects and other improvements. **Underwriter**—May be Kuhn, Loeb & Co., New York. **Offering**—Expected in October or early November.

• **Bank of New York**
Sept. 30 stockholders approved a proposal to increase the capital stock by 110,000 shares to a total of 270,000 shares. The bank will issue 80,000 shares as a 50% stock dividend and offer to stockholders the right to subscribe for the remaining 30,000 shares in the ratio of one new share for each eight shares held after giving effect to the stock distribution. **Price**—To be determined by trustees at a later date. **Proceeds**—To increase capital and surplus. **Underwriter**—Morgan Stanley & Co., New York.

California Electric Power Co.
July 14 it was announced company contemplates marketing between $5,000,000 and $7,000,000 securities in October, 1958. Neither the exact date of the offering nor the nature of the securities to be offered has been determined. **Proceeds**—To repay bank loans.

Central Electric & Gas Co.
Sept. 11 the company applied to the Nebraska Railway Commission for authority to sell up to 100,000 shares of common stock (par $3.50) and up to $3,000,000 convertible debentures. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Central Hadley Corp.
The shareholders of the company at a special meeting held on June 25, approved an amendment to the certificate of incorporation authorizing an issue of 200,000 shares of 5% cumulative convertible preferred stock (par $10). Convertible into common stock at the rate of $2.86 per share. **Proceeds**—To retire outstanding notes of a subsidiary in the amount of $768,000.

Commonwealth Edison Co.
Aug. 25 it was reported that the company may issue and sell $25,000,000 of preferred stock. **Underwriters**—May be The First Boston Corp. and Glore Forgan & Co., both of New York. **Offering**—Expected late in 1958 or during the first three months of 1959.

Denmark (Kingdom of)
Sept. 2 it was reported that an issue of between $20,000,000 to $30,000,000 may possibly be placed on the American market this year. **Underwriter**—Kuhn, Loeb & Co., New York.

Duffy-Mott Co.
Sept. 15 it was reported that an offering of 250,000 shares of common stock is planned (including 100,000 for company and 150,000 shares for selling stockholders. **Business** — A leading processor of "Sunsweet" prune juice, and "Clapp" baby foods. **Underwriter** — Kidder, Peabody & Co., New York.

Equitable Gas Co.
July 18 it was announced that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White Weld & Co., all of New York.

First City National Bank (10/2)
Sept. 19 it was announced Bank plans to offer to its stockholders of record Oct. 2, 1958 the right to subscribe for 125,000 additional shares of capital stock (par $20) on the basis of one new share for each 10 shares held. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Office**—931 Main St., Houston 1, Tex.

• **Florida Power & Light Co. (10/27-31)**
Aug. 20, McGregor Smith, Chairman, announced that the company plans the sale of 300,000 shares of new common stock. **Proceeds**—To finance construction program. **Underwriters**—May be Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., both of New York.

Gas Service Co.
March 24 it was reported that company plans to issue $11,000,000 of first mortgage bonds later this year. No decision as yet has been made as to the procedure the company will follow. **Proceeds**—For repayment of short-term notes and loans and for construction program. **Underwriter** — If determined by competitive bidding, probable bidders may be Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, and White, Weld & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers.

General Public Utilities Corp.
April 7 stockholders approved a plan authorizing the directors, in connection with an offering of common stock to stockholders (on a 1-for-20 basis), also to offer certain shares on the same terms to employees, including officers, of System companies. **Clearing Agent**—Merrill Lynch, Pierce, Fenner & Smith, New York. **Offering**—Expected late in November.

• **Grace Line Inc. (10/8)**
Company plans to issue approximately $18,000,000 of government insured bonds secured by first preferred ship mortgages on the new "Santa Rosa" and "Santa Paula." The financing will comprise two issues of $9,000,000 each. The "Santa Rosa" issue will mature on July 1, 1978. **Underwriters**—Merrill Lynch, Pierce, Fenner and Smith; Paine, Webber, Jackson & Curtis; Smith, Barney & Co.; White, Weld & Co.; and F. Eberstadt & Co., all of New York. **Offerings**—"Santa Rosa" offering expected about Oct. 8 at 100% and accrued interest. "Santa Paula" offering later in year.

Great Atlantic & Pacific Tea Co.
Feb. 19 it was reported a secondary offering of common voting stock is expected in near future. **Underwriters**—May include: Blyth & Co., Inc.; Lehman Brothers and Smith, Barney & Co.

Hartford Electric Co.
Aug. 27 the directors approved a program under which it plans to issue 149,633 shares of common stock (par $25) to be offered first to common stockholders on a 1-for-10 basis; 100,000 shares of preferred stock (par $50); and $18,000,000 of first mortgage bonds. Stockholders will vote Oct. 6 on the proposal and if approved, the company will seek authorization of the Connecticut P. U. Commission. **Underwriter** — Putnam & Co., Chas. W. Scranton & Co. and Estabrook & Co. for any preferred stock. Under previous rights offering to common stockholders unsubscribed common stock was sold to Chas. W. Scranton & Co. Previous bond issues were placed privately. **Offering** — Expected late October or early November.

• **Hawaiian Electric Co., Ltd.**
Sept. 29 it was announced company plans to offer to its common stockholders the right to subscribe for an additional 84,700 shares of common stock in the near future on a 1-for-10 basis. **Proceeds**—For construction program. **Underwriter**—None.

Heublein, Inc.
Aug. 25 it was reported that the company plans early registration of 400,000 shares of common stock; of which 100,000 shares are to be sold for the account of selling stockholders. **Proceeds**—For expansion. **Underwriter**—Glore, Forgan & Co., New York. **Offering** — Expected sometime in October or November.

Japan (Empire of)
Aug. 20 it was stated that an issue of between $30,000,000 and $50,000,000 of bonds may soon be publicly offered on the American market. **Proceeds**—For public works projects, etc. **Underwriter**—The First Boston Corp., New York.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year, but which sale may now be deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp.

Kentucky Utilities Co.
June 16 company stated it will sell bonds and/or common stock in the last quarter of 1958. **Underwriters**—For any common stock: Blyth & Co., Inc. and J. J. B. Hilliard & Son. For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Smith, (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Laboratory for Electronics, Inc.
July 3, Henry W. Harding, President, announced that the directors are currently considering refinancing $790,000 of outstanding notes ($658,750 held by a principal stockholder and $131,250 by a bank) on a more permanent basis. This may be done through equity or convertible debenture financing. **Office**—75 Pitts St., Boston, Mass.

Lorillard (P.) Co.
Sept. 17 company announced it plans to offer its stockholders the right to subscribe for approximately 363,000 additional shares of common stock on the basis of one new share for each eight shares held. **Proceeds** — For general corporate purposes. **Underwriters** — Lehman Brothers and Smith, Barney & Co., both of New York. **Registration**—Expected early in November.

Master Fund, Inc., Fairfield, Calif.
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

Michigan Bell Telephone Co.
Aug. 12 directors approved plans to sell $40,000,000 of 34-year debentures. **Proceeds**—To redeem a like amount of 4¾% debentures due November, 1992. **Underwriter**—To be determined by competitive bidding. **Probable** bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Had been tentatively scheduled to be re-

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ceived on Sept. 16, but on Aug. 26 it was voted to postpone this refunding program because of present market conditions.

Midland Enterprises, Inc.
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

Montana-Dakota Utilities Co.
March 24 it was announced the company plans to issue and sell an undetermined amount of first mortgage bonds (about $10,000,000) in the latter part of this year or in early 1959. **Proceeds** — To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., Inc., (jointly); and Blair & Co., Inc.

Moore-McCormack Lines, Inc.
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brasil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York. **Offering** — Postponed because of uncertain market conditions.

★ **Narda Ultrasonics Corp., N. Y.**
Sept. 8 it was reported that the company plans a registered secondary offering of 60,000 shares of common stock (par 10 cents). **Proceeds**—To selling stockholders. **Business**—Manufacture of ultrasonic equipment. **Control**—The company is controlled by Narda Microwave Corp., N. Y. **Underwriter**—To be named at a later date.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

Norfolk & Western Ry. (10/9) (11/13) (12/18)
Bids will be received this Fall by the company for the purchase from it of $19,200,000 equipment trust certificates due from 1-to-15 years, viz: Oct. 9, $7,440,000; Nov. 13, $5,310,000; and Dec. 18, $6,450,000. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co.
June 10 it was announced company will sell late this year $10,000,000 mortgage bonds but on Sept. 12 it was stated that immediate financing will not be necessary. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

Pacific Gas & Electric Co.
March 20 it was reported company plans sale of an undetermined amount of bonds and/or preferred stock in the latter part of this year or early 1959. **Underwriter**—(1) For bonds to be determined by competitive bidding. Probable bidders: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

Pacific Telephone & Telegraph Co. (11/18)
Aug. 22 it was announced company plans to issue and sell $80,000,000 of 32-year debentures due Nov. 1, 1990 **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co **Bids**—Expected to be received on Nov. 18.

Pacific Telephone & Telegraph Co.
Aug. 22 it was reported company plans to offer to its common and preferred stockholders 1,594,604 additional shares of common stock on the basis of one new share for each eight common or preferred shares held. **Price**—At par ($100 per share). **Proceeds**—To repay advances and to reimburse the treasury for capital expenditures previously made. **Underwriter**—None. **Control**—Of the 832,000 shares of 6% preferred stock (par $100) and 11,936,835 shares of common stock (par $100) outstanding as of Dec. 31, 1957, there were owned by the American Telephone & Telegraph Co. 640,957 preferred shares and 10,790,943 common shares.

Panama (Republic of)
July 14 it was announced a public offering is expected of approximately $26,000,000 external bonds. **Proceeds**—To redeem certain outstanding debt and for Panama's feeder road program. **Underwriter**—Lehman Brothers, New York.

★ **Public Service Electric & Gas Co. (12/2)**
Sept. 22 it was reported that the company plans offering 700,000 additional shares of common stock, and plans to apply to the State Public Utility Commission seeking exemption from competitive bidding. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Smith.

St. Joseph Light & Power Co.
Sept. 19 it was announced that the company has deferred temporarily its plans to market $6,500,000 in bonds and/or preferred stocks. A bank credit of $6,000,000 has been arranged — in lieu of the long-term financing. **Proceeds**—For repayment of short-term bank loans and for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Glore, Forgan & Co. and Blair & Co. Inc. (jointly); White, Weld & Co.; Equitable Securities Corp. Last preferred financing was done privately.

Southeastern Fidelity Fire Insurance Co.
Aug. 26 it was announced that the company in all probability will offer additional common stock to its shareholders in the near future. **Proceeds**—To expand operations. **Office** — 197 Auburn Ave., N. E., Atlanta, Ga. **Underwriter**—None.

★ **Southern Bell Telephone & Telegraph Co. (12/9)**
Sept. 22 directors authorized the issuance of $70,000,000 of 35-year debentures to be dated Dec. 1, 1958. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively scheduled to be received on or about Dec. 9. **Registration**—Expected in mid-November.

Southern Colorado Power Co.
May 9 stockholders authorized an additional 100,000 shares of preferred stock (par $50). **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber Jackson & Curtis.

Southwestern Bell Telephone Co.
July 10 it was announced Missouri Public Service Commission authorized the company to issue $110,000,000 of 35-year debentures. **Proceeds** — To refund outstanding $100,000,000 4¾% debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Offering**—Has been postponed. Bids had been expected about Sept. 30, 1958.

★ **Tampa Electric Co.**
Sept. 23 it was reported that the company plans an offering of 100,000 shares of preferred stock (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Stone & Webster Securities Corp., New York.

★ **Texas Electric Service Co. (10/28)**
Sept. 28 it was reported that the company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co.; Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Smith. **Bids**—Expected to be received on Oct. 28.

★ **Texas Electric Service Co. (10/28)**
Sept. 28 it was reported that the company plans the sale of 80,000 shares of preferred stock (no par). **Proceeds** — To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Kuhn, Loeb & Co.; Blyth & Co., Inc.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc., and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co. **Bids**—Expected to be received on Oct. 28.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

Universal Oil Products Co.
Aug. 13 it was reported that an issue of common stock will soon be offered to the public, the proceeds of which may run between $50,000,000 and $60,000,000. Approval of the transaction rests with the New York State Supreme Court (expected within two months). **Proceeds**—To the Petroleum Research Fund of the American Chemical Society. **Underwriters**—Expected to be Lehman Brothers, Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Smith, all of New York. **Offering**—Expected in mid-autumn, probably late in October.

Venezuela (Government of)
July 1 the Government announced that Kuhn, Loeb & Co. and Kidder, Peabody & Co., both of New York, have been selected as financial advisors to develop a financial program for the country. As a first step in the program a short-term credit is being negotiated between the government in cooperation with the two investment banking firms and a syndicate of commercial banks in the United States, Canada and the United Kingdom. The three institutions which are to head this syndicate are The Chase Manhattan Bank, The First National City Bank of New York, and Bank of America National Trust & Savings Association. The Chase Manhattan Bank will be the fiscal agent for the credit. The amount of the new financing involved is in the neighborhood of $250,000,000. The purpose is to restore government balances which have been reduced by the repayment of excessive short term obligations previously incurred.

Virginian Ry.
Aug. 26 the directors approved a proposal to exchange 2,795,500 shares of 6% cumulative preferred stock (par $10) for $32,148,250 new 6% subordinated income sinking fund debentures to mature Aug. 1, 2008 on the basis of $11.50 principal amount of debentures for each preferred share. **Dealer-Manager**—Harriman Ripley & Co. Inc., New York.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

Worcester Gas Light Co.
Aug. 18 it was reported that the company plans the sale of $5,000,000 first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Offering**—Expected this Fall.

Wisconsin Public Service Corp.
March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., and American Securities Corp. (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly): The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co.

Our Reporter's Report

The investment market, which a week or so back appeared to be striving for a new base, now seems to be floundered about again in the wake of the Treasury's latest financing move.

Presumably the Treasury's terms, while they were welcomed for the generosity they showed, were looked upon as calling for a bit of recalculation in the secondary corporate market.

As a matter of fact, the Treasury list itself made some adjustment to the latest turn of events. Even the new 13-month 3½s and the new discount bills tended to back away from their initial levels.

It's pretty much a foregone conclusion that the corporate market can be expected to back and fill at least until the Government list stabilizes. Yet with November's large roll-over and probably bid for more new money looming ahead, observers find themselves in a quandary in endeavoring to gauge the near-term outlook.

Feeling is growing that it might be well for the Treasury to face up to the situation which confronts it and come out with a long-term bond even though this would call for a liberal coupon.

Institutional buyers quite obviously are standing idle at the moment, with best guesses being that big pension funds, having plenty of latitude in the type of security in which they may invest, are looking toward the equity market rather than at bonds.

Going to the Banks

Doubtless corporate borrowers would much rather come into the capital market than go to the banks to finance their expansion programs on a temporary basis. But at the moment things are not to the liking of the prospective borrower.

So rather than get hung up for long periods with funds borrowed at high rates a number of corporations are financing through bank loans. The latest is Consolidated Edison Co. of New York, Inc., which has arranged with 15 banks for a credit of $100 million to run for a year from Oct. 7 next.

The big utility will pay the prime rate on any of these funds taken down and the notes will not be for longer than 90 days. The bank loans will be funded when the opportunity arises.

Prospective Offerings

Though the underwriting world is frankly puzzled by the current situation in the new issue market, prospective borrowers continue to make preparations for entering the market when the clouds lift.

Latest to register with the Securities and Exchange Commission for an offering is J. I. Case Co., which has filed to cover $23 million of subordinated, 25-year debentures to be convertible into common stock. And International Harvester Credit Corp., subsidiary of International Harvester Co., is reportedly contemplating a new issue.

Meanwhile Puget Sound Power & Light Co. has filed to cover the sale of $15 million of new debentures at competitive bidding.

The Week Ahead

The biggest straight offering in the cards next week, provided things do not change, is American Cement Corp.'s $20 million of debentures now slated for marketing on Wednesday.

Aside from that offering, Madison Gas & Electric Co. is slated to open bids on $11 million of new bonds on Tuesday and Northwestern Steel & Wire Co. is scheduled to offer 125,000 shares of common stock on Wednesday.

Two companies, namely Peoples Gas, Light & Coke Co. and Addressograph-Multigraph have "rights" offerings on schedule, the first-named due to start on Monday and the last on Wednesday.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	Oct. 5	§68.5	*67.3	61.7	82.6
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 5	§1,850,000	*1,816,000	1,666,000	2,115,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Sept. 19	7,087,085	7,009,235	6,874,735	6,839,765
Crude runs to stills—daily average (bbls.)	Sept. 19	¶7,604,000	7,845,000	7,892,000	7,830,000
Gasoline output (bbls.)	Sept. 19	28,010,000	28,056,000	28,005,000	28,212,00
Kerosene output (bbls.)	Sept. 19	2,001,000	2,008,000	1,791,000	2,028,000
Distillate fuel oil output (bbls.)	Sept. 19	12,310,000	12,415,000	12,004,000	12,007,000
Residual fuel oil output (bbls.)	Sept. 19	6,896,000	6,788,000	6,710,000	7,820,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 19	173,158,000	172,891,000	173,756,000	174,058,000
Kerosene (bbls.) at	Sept. 19	30,011,000	*29,648,000	27,548,000	36,190,000
Distillate fuel oil (bbls.) at	Sept. 19	149,461,000	*146,190,000	132,398,000	165,762,00
Residual fuel oil (bbls.) at	Sept. 19	68,893,000	68,378,000	66,994,000	56,003,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 20	667,277	665,999	633,687	724,934
Revenue freight received from connections (no. of cars)	Sept. 20	557,921	539,521	525,245	605,295
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 25	$370,670,000	$332,367,000	$397,801,000	$342,274,000
Private construction	Sept. 25	123,894,000	109,042,000	195,490,000	186,388,000
Public construction	Sept. 25	246,776,000	223,325,000	202,311,000	155,886,000
State and municipal	Sept. 25	216,180,000	201,133,000	175,705,000	131,380,00
Federal	Sept. 25	30,596,000	22,192,000	26,606,000	24,506,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 20	8,425,000	8,345,000	8,280,000	10,065,000
Pennsylvania anthracite (tons)	Sept. 13	483,000	401,000	404,000	553,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Sept. 20	136	145	134	135
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 27	12,342,000	12,240,000	12,272,000	11,697,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Sept. 25	268	262	246	278
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 23	6.196c	6.196c	6.188c	5.967c
Pig iron (per gross ton)	Sept. 23	$66.49	$66.49	$66.49	$66.42
Scrap steel (per gross ton)	Sept. 23	$43.17	$43.17	$42.50	$43.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 24	26.100c	26.100c	26.100c	26.475c
Export refinery at	Sept. 24	25.850c	25.600c	24.800c	23.900c
Lead (New York) at	Sept. 24	11.000c	10.750c	10.750c	14.000c
Lead (St. Louis) at	Sept. 24	10.800c	10.550c	10.550c	13.800c
‡Zinc (delivered) at	Sept. 24	10.500c	10.500c	10.500c	10.500c
Zinc (East St. Louis) at	Sept. 24	10.000c	10.000c	10.000c	10.000c
Aluminum (primary pig. 99%) at	Sept. 24	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Sept. 24	92.750c	95.375c	95.000c	93.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 30	88.10	89.67	88.32	86.38
Average corporate	Sept. 30	89.78	90.06	92.06	89.37
Aaa	Sept. 30	94.12	94.41	96.54	94.2
Aa	Sept. 30	92.64	92.64	95.01	91.91
A	Sept. 30	89.64	89.92	92.06	89.51
Baa	Sept. 30	83.40	83.66	85.20	82.52
Railroad Group	Sept. 30	88.13	88.40	89.09	87.59
Public Utilities Group	Sept. 30	89.23	89.51	91.62	89.23
Industrials Group	Sept. 30	92.20	92.20	95.62	91.34
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 30	3.60	3.45	3.56	3.70
Average corporate	Sept. 30	4.43	4.41	4.27	4.46
Aaa	Sept. 30	4.13	4.11	3.97	4.12
Aa	Sept. 30	4.23	4.23	4.07	4.28
A	Sept. 30	4.44	4.42	4.27	4.45
Baa	Sept. 30	4.91	4.89	4.77	4.98
Railroad Group	Sept. 30	4.55	4.53	4.48	4.59
Public Utilities Group	Sept. 30	4.47	4.45	4.30	4.47
Industrials Group	Sept. 30	4.26	4.26	4.03	4.32
MOODY'S COMMODITY INDEX	Sept. 30	389.3	393.1	392.8	394.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 20	260,256	310,445	275,008	259,955
Production (tons)	Sept. 20	311,174	305,978	293,915	296,404
Percentage of activity	Sept. 20	95	97	92	96
Unfilled orders (tons) at end of period	Sept. 20	446,577	509,651	419,411	465,246
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Sept. 26	108.69	108.60	108.68	110.30
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Sept. 6	1,509,410	1,762,520	2,592,340	749,860
Short sales	Sept. 6	293,390	349,070	494,010	165,570
Other sales	Sept. 6	1,201,980	1,366,010	2,118,840	629,220
Total sales	Sept. 6	1,495,370	1,715,080	2,612,850	794,790
Other transactions initiated on the floor—					
Total purchases	Sept. 6	398,530	389,420	644,630	137,800
Short sales	Sept. 6	43,100	56,500	33,900	23,910
Other sales	Sept. 6	346,400	332,510	599,640	128,090
Total sales	Sept. 6	389,500	389,010	633,540	152,000
Other transactions initiated off the floor—					
Total purchases	Sept. 6	517,270	519,140	845,290	235,850
Short sales	Sept. 6	83,860	93,590	135,890	51,560
Other sales	Sept. 6	575,570	712,932	892,010	249,410
Total sales	Sept. 6	659,430	806,522	1,027,900	300,970
Total round-lot transactions for account of members—					
Total purchases	Sept. 6	2,425,210	2,671,080	4,082,260	1,123,510
Short sales	Sept. 6	420,350	499,160	663,800	241,040
Other sales	Sept. 6	2,123,950	2,411,452	3,610,490	1,006,720
Total sales	Sept. 6	2,544,300	2,910,612	4,274,290	1,247,760
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Sept. 6	1,024,107	1,155,792	1,485,737	781,484
Dollar value	Sept. 6	$46,827,523	$51,501,247	$67,022,937	$36,566,145
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Sept. 6	1,038,465	1,209,612	1,578,423	543,445
Customers' short sales	Sept. 6	5,334	8,354	11,772	6,420
Customers' other sales	Sept. 6	1,033,131	1,201,258	1,566,651	537,025
Dollar value	Sept. 6	$45,813,508	$51,688,977	$69,512,553	$26,258,784
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 6	336,310	453,150	538,510	107,870
Short sales	Sept. 6	------	------	------	------
Other sales	Sept. 6	336,310	453,150	538,510	107,870
Round-lot purchases by dealers—					
Number of shares	Sept. 6	325,190	385,280	452,750	349,370
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Sept. 6	554,170	678,420	875,000	322,870
Other sales	Sept. 6	11,766,890	13,455,480	18,437,590	5,340,790
Total sales	Sept. 6	12,321,060	14,133,900	19,312,590	5,663,660
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Sept. 23	118.9	119.0	118.7	117.7
Farm products	Sept. 23	92.3	*93.2	92.5	90.3
Processed foods	Sept. 23	111.3	111.3	110.2	105.9
Meats	Sept. 23	109.7	109.1	106.4	93.2
All commodities other than farm and foods	Sept. 23	126.0	126.0	125.9	125.7

*Revised figure. ¶Includes 962,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of July:			
Total gas sales (M therms)	4,860,300	5,075,700	4,956,400
Natural gas sales (M therms)	4,751,600	4,944,700	4,850,600
Manufactured gas sales (M therms)	13,300	14,900	13,000
Mixed gas sales (M therms)	95,400	116,100	92,800
AMERICAN PETROLEUM INSTITUTE—Month of June:			
Total domestic production (barrels of 42 gallons each)	212,558,000	216,366,000	236,454,000
Domestic crude oil output (barrels)	190,240,000	193,215,000	213,203,000
Natural gasoline output (barrels)	22,258,000	23,125,000	23,228,000
Benzol output (barrels)	60,000	26,000	24,000
Crude oil imports (barrels)	28,802,000	28,972,000	35,045,000
Refined product imports (barrels)	19,600,000	*17,699,000	13,764,000
Indicated consumption domestic and export (barrels)	253,902,000	*257,358,000	252,525,000
Increase all stocks (barrels)	7,058,000	5,679,000	32,738,000
AMERICAN RAILWAY CAR INSTITUTE—Month of August:			
Orders for new freight cars	1,773	376	2,928
New freight cars delivered	2,151	2,113	8,758
Backlog of cars on order and undelivered (end of month)	25,611	25,994	79,258
AMERICAN ZINC INSTITUTE INC.—Month of August:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	62,927	65,119	84,166
Shipments (tons of 2,000 pounds)	69,309	60,187	81,049
Stocks at end of period (tons)	251,529	257,911	149,296
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of August (000's omitted)	$302,000	$751,300	$316,200
COAL EXPORTS (BUREAU OF MINES)—Month of July:			
U. S. exports of Pennsylvania anthracite (net tons)	138,626	232,037	288,910
To North and Central America (net tons)	99,631	162,638	142,770
To Europe (net tons)	27,336	60,074	138,539
To Asia (net tons)	10,769	8,725	------
To South America (net tons)	------	------	7,601
Undesignated	890	600	------
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Aug. 31 (000's omitted)	$981,000	$966,000	$501,000
COPPER INSTITUTE—For Month of August:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	76,492	*73,302	98,926
Refined (tons of 2,000 pounds)	100,640	110,130	128,480
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	86,982	77,523	107,522
Refined copper stocks at end of period (tons of 2,000 pounds)	215,560	242,781	192,931
COTTON GINNING (DEPT. OF COMMERCE):			
To Sept. 15 (running bales)	1,645,486	------	1,622,012
DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100—Month of August:			
Sales (average monthly), unadjusted	107	99	110
Sales (average daily), unadjusted	105	97	104
Sales (average daily), seasonally adjusted	136	133	135
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of August:			
Weekly earnings—			
All manufacturing	$83.53	$83.50	$82.80
Durable goods	90.52	89.83	89.06
Nondurable goods	75.46	*75.47	74.26
Hours—			
All manufacturing	39.4	39.2	40.0
Durable goodes	39.7	39.4	40.3
Nondurable goods	39.1	*38.9	39.5
Hourly earnings—			
All manufacturing	$2.12	$2.13	$2.07
Durable goods	2.28	2.28	2.21
Nondurable goods	1.93	1.94	1.88
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of August:			
Seasonally adjusted	137	*134	145
Unadjusted	136	*126	145
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of August	£26,037,000	£33,206,000	£14,578,000
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of July:			
Passenger Tires (Number of)—			
Shipments	8,317,705	8,117,358	8,610,751
Production	3,637,899	7,305,754	7,449,072
Inventory	15,489,569	17,464,550	16,097,080
Truck and Bus Tires (Number of)—			
Shipments	1,255,497	1,113,247	1,228,778
Production	919,921	987,543	993,987
Inventory	3,114,255	3,455,867	3,219,093
Tractor-Implement Tires (Number of)—			
Shipments	274,947	334,286	280,749
Production	275,981	294,512	219,905
Inventory	663,729	657,058	634,910
Passenger Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,465,795	3,601,590	3,708,280
Production	2,889,695	3,476,034	2,941,262
Inventory	7,680,282	8,156,429	6,287,227
Tread Rubber (Camelback)—			
Shipments (pounds)	39,154,000	*39,442,000	37,815,000
Production (pounds)	38,564,000	*41,551,000	36,629,000
Inventory (pounds)	30,367,000	*30,515,000	27,871,000
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of May:			
Net railway operating income	$43,992,810	$36,900,976	$80,845,272
Other income	22,962,574	19,408,443	23,001,839
Total income	66,955,384	56,309,419	103,847,111
Miscellaneous deductions from income	4,123,886	4,141,189	4,205,134
Income available for fixed charges	62,831,498	52,168,230	99,641,977
Income after fixed charges	31,155,018	20,761,402	69,159,071
Other deductions	3,889,493	4,033,976	4,173,558
Net income	27,265,525	16,727,426	64,985,513
Depreciation (way & structure & equipment)	50,248,915	50,180,879	48,407,946
Federal income taxes	9,810,343	13,057,669	27,314,666
Dividend appropriations:			
On common stock	33,095,412	17,930,487	39,707,633
On preferred stock	4,571,417	591,114	4,689,679
Ratio of income to fixed charges	1.98	1.66	3.27
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of August 31	$278,584,011	$275,568,258	$273,954,003
General funds balance	6,367,820	5,118,714	4,898,310
Net debt	$272,216,191	$270,449,544	$269,055,693
Computed annual rate	2.534%	$2.632%	2.857%

*Revised figure.

Pennroad Offering 1,286,619 New Shs.

The Pennroad Corp. is offering to stockholders of its common stock of record Oct. 1 rights to subscribe for 1,286,619 additional shares of common stock (par $1) at $16.25 per share on the basis of one new share for each four shares held (with an over-subscription privilege). The subscription offer will expire at 3:30 p.m. (New York City time), on Oct. 15.

The several underwriters, headed by Kuhn, Loeb & Co., have agreed, subject to certain conditions, to purchase any unsubscribed common stock.

The proceeds are to be used to make additional investments and for general corporate purposes.

The stockholders of The Pennroad Corp. are to vote on Oct. 15 on changing the corporate name of the company to Madison Fund, Inc., to reflect the diversified nature of the corporation's diversified activities.

M. Ferer Secs. Formed

MIAMI, Fla.—Mikki M. Fere is engaging in a securities business from offices in the Ainsley Building, under the firm name of M. Ferer Securities.

Forms Future Funds

Arthur Swartz is conducting a securities business from offices at 308 West 30th Street, New York City, under the firm name of Future Funds. Mr. Swartz was formerly with First Investors Corporation and Bache & Co.

Mutual Funds

By ROBERT R. RICH

Scudder Fund to Make Continuous Share Offerings

Files Registration Statement with SEC

Scudder Fund of Canada Ltd. has filed a registration statement with the Securities and Exchange Commission for the purpose of carrying into effect its new program to offer continuously its shares to the public.

Lehman Brothers and William Street Sales, Inc., as dealer managers, will distribute the Fund's shares through members of the National Association of Securities Dealers, Inc., as participating dealers for a predetermined initial period, probably extending to the year end. At the end of the initial period, William Street Sales, Inc. will become the sole distributor of the shares of Scudder Fund of Canada Ltd. William Street Sales, Inc., organized and owned by Lehman Brothers, is the exclusive distributor of the shares of The One William Street Fund, Inc.

Scudder Fund of Canada Ltd. was organized in 1953 by the investment counsel firm of Scudder, Stevens & Clark. The Fund is a diversified management investment company registered under the United States Investment Company Act of 1940. Shareholders recently approved a 4-for-1 stock split, and in anticipation of its new continuous offering program, approved the increase of the Fund's authorized capital to 20,000,000 shares.

The policy of the Fund is to limit its investments to the securities of issuers deriving their income from sources outside the United States. The Fund concentrates its investments in the securities of companies organized in Canada which in the judgment of the management of the Fund will reflect the development of Canadian industrial resources.

As a non-resident Canadian corporation, having no taxable income from United States sources, the Fund is not subject to United States Federal income taxes. The net income of the Fund including net capital gains are retained for reinvestment and not distributed as dividends.

American Business Shares Reports Quarterly Progress

H. I. Prankard, 2nd, President of American Business Shares, reports that for the nine-month period ended Aug. 30, 1958 there was an increase of 42 cents or 11½% in the value of shares of capital stock. Net assets were $26,739,090, equivalent to $4.05 a share, as compared with $3.63 a share on Nov. 30, 1957, the end of the last fiscal year.

President Prankard states that there have been upturns in several important economic indicators. The Federal Reserve Board Index of Industrial Production, for example, has risen several points; new housing starts have shown a good increase; department store sales reached a new high in August; personal income has risen in each of the last several months; and new orders received by manufacturing companies have shown worthwhile expansion.

There were no additions to the fund's portfolio during the recent nine-month period; eliminations were Kaiser Aluminum & Chemical preferred 4¾% and the common stock of N. Y. State Electric & Gas Corp.

Wellington Equity Fund Increases Initial Share Total

An amended registration statement was filed with the Securities and Exchange Commission by Wellington Equity Fund, Inc., boosting its proposed initial stock offering to three million shares from two million.

The new fund also announced that the proposed offering date has been advanced to about Oct. 7. The shares will be priced, as previously announced, at $10 per share.

The underwriting group will be headed by Kidder, Peabody & Co.; Bache & Co.; Reynolds & Co.; and Dean Witter & Co.

Broad Street to Acquire Jefferson Custodian Assets

Shareholders of Jefferson Custodian Fund, Inc. have approved a plan of reorganization which provides for the sale of the assets of the $1,150,000 mutual fund to Broad Street Investing Corp. At a special meeting, 82.2% of the 226,127 Jefferson Custodian shares outstanding were voted in favor of the court-approved reorganization plan; only 0.9% were voted against.

The plan provides for the sale of the assets of Jefferson Custodian to Broad Street Investing in exchange for shares of that fund valued at asset value, free of any sales charge. It presently is anticipated that valuations for the purpose of the sale will be made at the close of business on Oct. 10. Promptly thereafter Jefferson Custodian will notify its shareholders of the completion of the transaction, and the shareholders may then exchange their Jefferson Custodian shares on a pro rata basis for shares of Broad Street Investing. Via this exchange shareholders of Jefferson Custodian will become holders of shares of Broad Street Investing with a value equal to that of their former Jefferson Custodian Fund shares and with full voting, dividend, redemption and other rights. Jefferson Custodian subsequently will dissolve. Final consummation of the plan is conditional to the receipt of satisfactory assurances by Treasury Department ruling that the transactions involved are tax-free both to Jefferson Custodian and its shareholders.

Broad Street Investing is the largest mutual fund in the group of investment companies with aggregate assets of about $575,-000,000, sponsored by J. & W. Seligman & Co. It is a diversified fund with a record of successful operation going back more than 28 years. Its assets currently total about $122,000,000, and its 5,152,-000 shares are owned by over 24,000 individuals and institutions located throughout the United States and in a number of foreign countries. The fund's investment policies and objectives provide close similarity to the announced policies and objectives of Jefferson Custodian.

Purchase of the assets of Jefferson Custodian by Broad Street Investing and the distribution of Broad Street Investing shares to shareholders will bring an end to the problems of Jefferson Custodian and its shareholders that first came to light last March 14, when the Securities and Exchange Commission asked the United States District Court for the Southern District of New York for an injunction against certain directors and officers of the mutual fund and requested the appointment of a receiver to hold the assets of the fund for the purpose of reorganization or liquidation, as subsequently directed by the court. At the time of its action, the SEC advised holders of Jefferson Custodian shares that its action "should not be construed as a reflection on the value of their shares." In the interim, the affairs of the fund have been under the direction of Thomas J. Ahearn, Jr., temporary receiver, and the asset value of its shares has risen from $4.40 to about $5.10.

The plan of reorganization was recommended by the receiver and adopted by the court on September 3. In his recommendation to the court, the receiver pointed out that in his opinion "the proposed combinaton with Broad Street Investing presented an opportunity for the shareholders of Jefferson Custodian to continue under experienced professional investment management having a superior investment record to that of the fund and at the same time to effect significant economies in operating expenses to the advantage of the fund's stockholders."

National to Offer 540,000 More Shs. On Rights Basis

Ranald H. Macdonald, President of National Shares Corporation, announced that a registration statement has been filed with the Securities and Exchange Commission with respect to a proposed offering to stockholders of 540,000 additional shares of the company's capital stock.

Mr. Macdonald said it was presently proposed to issue to stockholders on Oct. 15, 1958, or as soon thereafter as the registration statement becomes effective, transferable subscription warrants entitling the holder to subscribe for one share for each two shares held and, in addition, granting the privilege of subscribing, subject to allotment, for any shares not subscribed for through the exercise of rights. The rights would expire approximately two weeks after the date of issue. The offering will be made only by means of a prospectus which will be mailed to security holders with the warrants.

The corporation is a diversified management investment company of the closed-end type. The stock is listed on the New York Stock Exchange.

$101 Million for Value Line Funds

Gavin H. Watson, President of Value Line Fund Distributors, Inc. reported that the total assets of the three Value Line Funds passed the $100 million mark for the first time on Sept. 24. Total assets rose from $72.7 million on Dec. 31, 1957 to $101.0 million on Sept. 24.

More than two-thirds of the increase reflected the higher value of the Funds' holdings and the remainder was accounted for by the increase in the number of shares outstanding.

During the same period, the net asset value of the Value Line Fund rose from $5.02 a share to $6.64—a gain of $1.62 or 32.3%. The Value Line Special Situations Fund rose from $2.06 to $3.07—a gain of $1.01 a share or 49.0%. The Value Line Income Fund rose from $4.14 a share to $5.29—after allowance for a capital gain distribution of 7c a share, the Value Line Income Fund showed a gain of 29.5%.

MIT Growth Stock Fund at New Highs In All Categories

Total net assets, shares outstanding and shareholders of Massachusetts Investors Growth Stock Fund were at record highs on Aug. 31, 1958, according to an announcement by the fund.

Net assets were $185,362,515, compared with $136,538,456 on Aug. 31, 1957. Net asset value per share was $11.09 which, together with a special capital gain distribution of 21 cents in December, is equivalent to $11.30 per share, compared with a net asset value per share of $10.61 a year ago. The 63,741 shareholders on Aug. 31 held 16,715,023 shares — both new highs—compared with 45,690 shareholders and 12,865,656 shares a year ago.

Purchases and sales of securities, other than U. S. Government securities, during the three-months period totaled $9,394,665 and $2,289,053 respectively.

During the three months, the fund made new investments in

Aetna Casualty & Surety, Connecticut General Life Insurance, The Grolier Society and Texas Instruments, while additional investments were made in 12 other companies, including the purchase of 25,000 Pan-Am., which raises the total held to 125,000 shares. The fund reduced its holding in Dow Chemical and eliminated Burroughs Corp., Lincoln National Life Insurance, Monsanto Chemical and Outboard Marine.

Half-Billion Mark Attained by United Fds. Group

Net assets of the United Group of mutual funds—United Funds, Inc., and United Funds Canada Ltd. — reached the $500,000,000 mark this week, Cameron K. Reed, President, announced.

The half-billon figure was attained about a month before the United Group observes the 18th anniversary of its founding. The fund group was established Oct. 8, 1940, with net assets of $123,000.

Mr. Reed attributed the rapid growth to the acceptance of mutual funds by the individual with an average income, who recognizes the need for a tangible plan for long-term management of his money.

Within the next five years, Mr. Reed predicted, total net assets of the United Group will reach one billion dollars.

In addition to United Funds Canada Ltd., the Group includes the United Accumulative Fund, United Income Fund, United Science Fund and United Continental Fund. Waddell & Reed, Inc., Kansas City, is principal underwriter, with 125 sales offices in 46 states, Alaska and Hawaii.

Sees "Headaches" For Investors in Automobile Stocks

Unless the automobile industry is able to work out an agreement with the unions which will call a halt to annual increases in wage rates materially above improvement in productivity, it will be under the necessity of progressively raising the prices of its product, "Perspective" stated in its current (September) issue.

Under pressure from excessive wage increases it would be difficult for individual companies to swing toward emphasis on economy and practicality. The publication added that evaluation of automobile company securities for the longer pull will depend considerably upon which market philosophy — concentration on bigger cars as in the past, or a greater emphasis on more economic cars—is adopted by management, and how this accords with the realities of the situation. Unfortunately, there is little present indication of how this matter will be resolved.

Looking into the immediate future, "Perspective" forecast that the 1959 models will be "still longer, wider, lower, more powerful and probably more costly than previous models."

Commenting on the trucking industry, a fairly good level of heavy truck demand would seem likely, based on the longer term outlook for general construction and the expected increase in the truck proportion of inter-city freight.

In summary, it considered that the immediate future may hold more than the usual problems for investors in auto stocks, but observed, "so far this has not appeared to influence materially their attitude toward auto equities."

Vance, Sanders Makes Award to Campanella

$10,000 SMILES — Shown here are Roy Campanella, former star of the Los Angeles Dodgers, who was seriously injured in an automobile accident early this year, and his three youngest children (left to right), Roy, Jr., Ruthe and Tony with certificates of a $10,000 trust in shares of Boston Fund for the children's education. The smiling Campanellas received the educational fund from Vance, Sanders & Co., prominent mutual fund sponsor, Wednesday night (October 1). The presentation was made by Ralph Edwards (rear) on his nationally televised "This Is Your Life" program.

Belgian Financier On Townsend's Bd.

Appointment of Baron Leon Lambert of Brussels to the advisory board of Townsend U. S. & International Growth Fund was announced by Clinton Davidson, Chairman.

Baron Lambert is Chairman of the Board of both the Banque Lambert and the Compagnie Congolaise de Constructions, Belgium.

Although his interests and headquarters are in Brussels, he is at home in the U. S. A. He prepared for College at Canterbury School, New Milford, Conn. and was graduated from Yale in 1947. He also attended Oxford University and the University of Geneva.

He is a director of several European companies, including Petrofina & Cie; Manufacture Belge de Lampes et de Materiel Electronique; Societe d'Investissement du Nord; Belgian Overseas Corp., Ltd., Five Arrows Securities Ltd.; and Magnum Fund, Ltd.

Mr. Davidson pointed out that Baron Lambert's knowledge of international banking and finance will be an important asset to the overseas investment policies of the fund.

Energy Fd. to Pay $6 to Shareholders

The Directors of Energy Fund, an open-end investment company specializing in the energy industries, have declared 1958 annual dividends of $3.55 per share from securities profits realized by the Fund and $2.45 per share from net investment income. The dividend and distribution will be paid Sept. 30, 1958, to the 1,137 shareholders of record 3 p.m., Sept. 17, 1958.

Energy Fund, shares of which are offered at net asset value, concerns itself principally with companies active in energy production, generation, transmission, marketing, control and measurement, as well as companies whose operations indicate the adoption and application of new energy developments.

In the nine and one-half months ended Sept. 16, 1958, total net assets of Energy Fund, managed and distributed by Ralph E. Samuel & Co., increased 37% to $4,927,866 from $3,601,765 at the beginning of the year, while net asset value per share climbed 26%, from $128.18 to $161.45. During the same period, Energy Fund shares outstanding increased 8% to 30,515. Stockholders now total 1,137, an increase of 23% during the period.

Loomis-Sayles Has Net Asset Gain

In the quarterly report of Loomis-Sayles Mutual Fund, it was stated that the net asset value per share increased from $39.66 on last Oct. 31 to $43.59 as of July 31, 1958, a gain of 9.9%.

Common stock position increased from 49.0% to 55.8%, an increase of 6.8% due to new purchases of $3,350,000. Under investment policy this fund has added eleven new stocks to portfolio, increased investment in 10 others and eliminated seven.

The Fund continued to grow during the nine month period, total assets advancing from $53,413,000 on Oct. 31, 1957 to $65,427,800 on July 31, 1958. Two-thirds of the increase was the result of market appreciation. Total number of stockholders increased from 9,600 to 10,000.

In the last quarter, the Fund reported substantial increases in common stocks in the non-ferrous metal field. In this group they added Aluminium Limited, Aluminum Company of America; American Smelting; Phelps Dodge and St. Joseph Lead; and have increased their holdings in American Metal-Climax.

Investment Corp. of Fidelity Formed

KNOXVILLE, Tenn. — Investment Corporation of Fidelity has been formed with offices at 502 Gay Street, S. W. to engage in a securities business. Officers are Robert D. Bradley, President; Joseph H. Wilson and Jules D. Bradley, Vice-Presidents; and Ruth D. Goins, Secretary and Treasurer. All were formerly with Fidelity-Bankers Trust Company, Mr. Robert D. Bradley as manager of the bond department.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Thirteen Southern governors huddled recently in Lexington, the heart of Kentucky's fabulous bluegrass country. For four days, either informally or formally in the Phoenix Hotel, they talked about their own thorny problems, received a series of regional reports, heard some glowing reports of Dixie's march of progress, and accepted some of the warmest hospitality a contingent of chief executives ever received.

The emotional school integration problems caught the headlines, and hit the radio and television spots. But the big economic story of the conference was either completely ignored, or barely mentioned in passing. What is the story? The South is continuing to roll up tremendous chapters of progress with industry after industry either locating or expanding existing plants in state after state.

Many of these companies have their stocks listed on the American and New York Stock Exchanges. The chief executives heard formal discussions and reports on nuclear energy, timber and mineral resources, oil and natural gas.

Because of the comparative newness of Southern industrialization, among other things, the recent recession, the most severe since the second World War, was barely felt in some states. Facts and figures were presented that overall the industrial growth is continuing its great upward swing. Not all of the progress has been made industrially. For instance the commercial forests areas are increasing all the time. A total of 30,000,000 additional commercial acres to supply future paper, hardboard and pulpwood operations has been planted in trees in the past 10 years.

Chandler the Host

To accept most of the warm hospitality of Governor A. B. (Happy) Chandler, the chief executives and their official parties from Delaware to the Rio Grande went out into the countryside with its great and rich horse farms laced with miles and miles of ruler-straight white-painted plank fences. On the bluegrass horizon were hundreds of fine horses, or white-faced Herefords or Black Angus beef cattle grazing on the lush and luxuriant grass.

While the sun was shining bright in Old Kentucky, some of the chief executives, their wives and members of their parties, sipped on mint juleps, had some of the finest bourbon made in nearby distilleries. For instance at Spendthrift farm they saw mighty "Nashua," world's champion money-winning thoroughbred, who earned $1,288,565. Today the horses stabled at the stallion barn at Spendthrift are worth nearly $10,000,000.

At the 1,100-acre estate of Mr. and Mrs. Frederick Van Lennep (Mrs. Van Lennep is the former Ann Dodge of the Dodge Automotive family), the governors ate a buffet lunch of roast beef and Kentucky ham under a tent on the beautiful lawn. There they saw "Winged Commander," the world's five-gaited grand champion for seven consecutive years, and toured the stallion barn with its many fine horses. The barn alone, completed in 1951, cost $300,000.

Here on these verdant pastures underlain with limestone have come the all-time rulers of the turf such as Man 'O War, Twenty Grand, War Admiral, Whirlaway, and a dozen others. Raising horses in the bluegrass, most of the governors appeared to have learned for the first time, is a tremendous business. Lexington boosters maintain that the sun never sets on at least one American race course without at least one bluegrass foaled horse having been a winner.

Business and Politics

Back in the Phoenix Hotel in downtown Lexington, the governors talked informally about the rights of the states being gradually trimmed and taken over by Washington. As Governor Leroy Collins of Florida, who is chairman of the National Governors' Conference, and Governor Theodore R. McKeldin of Maryland, put it: the states must accept more responsibility with their growing populations.

There were several would-be presidential and vice-presidential candidates in 1960 in attendance at the conference. For instance at a press conference Republican Governor McKeldin said he thought it was a political certainty that Vice-President Richard M. Nixon would be his party's standard bearer in 1960. "The Commercial and Financial Chronicle" representative asked Mr. McKeldin if he were available for the vice-presidency, whereupon the Maryland Governor replied: "Thank you so much for asking that question."

At the palatial Governor's Mansion at Frankfort, a couple of stone's throw from the imposing State Capital, the governors and their wives, on Sunday before the conference formally opened, ate fried chicken, and country ham, and heard Governor Chandler join with a Negro choral group in singing some of the favorite songs of all Americans.

Two other Republican governors, J. Caleb Boggs of Delaware and Cecil H. Underwood, are in the 16-state Southern Governors' Conference. Three governors, J. Lindsay Almond, Jr., of Virginia; James E. Folsom of Alabama, and Earl K. Long of Louisiana, were unable to attend for various reasons.

The host chief executive, Gov. A. B. (Happy) Chandler, who twice has been elected governor and twice elected to the United States Senate, made it clear that he has his political lightning rod and he hopes that lightning will strike. The governor, who rolled up 36½ delegate votes in the 1956 convention, including Kentucky's and scattered votes from six other states, is anxious to be the Democratic standard bearer in 1960.

GOP Losing Out

The governors maintain that there is little sentiment in the Southland today for a third party. It is unfortunate for the Republican party, but Republican sentiment has lost ground in a big way, according to the Democratic governors.

While more and more Negroes are voting in the South, the facts are an overwhelming majority of them are registering as Democrats, the governors said privately. North Carolina, with approximately 150,000 Negroes qualified to vote and nearly all of them favoring the Democratic party, has more registered voters of the Negro race than any other Southern state. Of course, North Carolina and Georgia have the greatest number of people of the Negro race than any of the Southern states, but Mississippi has the greatest percentage of its population of that race.

One of the reports presented predicted that the South's population, now estimated at 40,000,000 will increase by 16,000,000 by 1975.

Stress Atomic Energy

The report of the Regional Advisory Council on Nuclear Energy was of marked importance to the Conference, to those in the power and utilities field, the field of science and medicine. It was back in August, 1945, that the world first learned of atomic power in warfare. Now the authorities contend that the United States and the world are destined to see a better way of life because of peaceful uses of atomic energy.

A tremendous amount of atomic research and development in Dixie is currently underway. Perhaps only a handful of Americans realize that the whole region has a whole series of nuclear activities underway in the whole region. These things of course are separate and apart from the Federal activities of the Atomic Energy Commission at Oak Ridge, Tenn., Aiken, S. C., Paducah, Ky., and St. Petersburg, Fla.

The use of atomic radiation, the governors were told, include these potentials that are of interest to the various states and their political subdivisions:

Coal consumption is likely to be increased substantially within the 15-to-20 year period ahead. Gasification or fluidization of coal through use of high temperature nuclear reactors will bring important advances for utilization of coal for energy purposes, especially since oil and gas reserves are expected to become a serious problem by 1970.

Sea water will be de-salted economically and brackish inland water purified; underground rivers can be charted and thus tapped more effectively; water movements above and below ground can be studied and sources and replenishment of water supplies better understood; purification of polluted rivers and streams is under study; economical sterilization of sewage is foreseen, and high-brightness, long lasting signals and markers for highway safety will be available.

[*This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" owns views.*]

BUSINESS BUZZ

"40-39-38-37—All in reverse—just like my wife's birthdays!"

Business Man's Bookshelf

Annual Digest of State and Federal Labor Legislation, 1957—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.—50c.

British Government Publications, July, 1958—Catalogue—British Information Services, 45 Rockefeller Plaza, New York 20, N. Y., 45¢ per year.

Columbia University Press Catalogue, Fall 1958—Columbia University Press, 2960 Broadway, New York 27, N. Y.

Comparison of State Unemployment Insurance Laws as of Jan. 1, 1958—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.—45c.

Competitive Pricing: Policies, Practices, and Legal Considerations — American Management Association, 1515 Broadway, New York 36, N. Y.—paper—$3.

Financing Corporate Growth through investment institutions —Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. H.—paper —$1.

Labor Management Relations in the United States—31 reports on Trade Union Activities, Collective Bargaining, Labor-Management Relations in Selected Industries, and a glossary of current industrial relations terms — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y., $2.00.

"Little" Economics—Problems of U. S. Area Development—Committee for Economic Development, 711 Fifth Avenue, New York 22, N. Y.—paper—50c.

Magazine Coverage of Consumer Expenditures — Vol. 2 — Life, 9 Rockefeller Plaza, New York 20, N. Y.

Savings Bank Fact Book 1958 — Savings Banks Trust Company, 14 Wall Street, New York 5, N. Y.—paper—$5.

Shopping Centers and New York State's Retail Economy — New York State Commerce Review, 112 State Street, Albany, N. Y. —paper—on request.

Studies of Automatic Technology: A Case Study of an Automatic Airline Reservation System — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y. (on request).

Undervalued Net Current Asset Stocks 1957 — Stock-Statistics, Inc., P. O. Box 4411, Miami 27, Fla., $5.00.

What About Mutual Funds?—Revised edition — John A. Straley —Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. —cloth—$2.95.